

FINANCIAL TIMES

مكتبة المجلد

1 Century
of
Experience
1895-Nov-1995
SUMITOMO BANK



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Spanish doubts
about EMU

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France's bosses

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under pressure

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Russian unions

Keeping the
red flag flying

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World Business Newspaper

TUESDAY OCTOBER 10 1995

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Brussels likely to approve \$5.2bn packaging merger

The European Commission is likely to approve a proposed alliance between Crown Cork & Seal of the US and France's CarnaudMetalbox, creating the world's largest packaging company, according to industry officials. Closed hearings for competitors worried about the \$5.2bn deal, in which CCS will acquire CMB, have taken place in Brussels. Opposition to the merger appears to be muted and the Commission is expected to impose only limited conditions on the alliance. Page 16

UK banks expected to announce mergers: Lloyds Bank and TSB Group are expected to announce a merger which would create the UK's fourth largest bank with total assets of £127.5bn (US\$188bn). Page 17; A merger made in heaven, Page 15; Lex, Page 16

Dozens die in Mexico quake: Mexico declared a state of emergency in the south-western coastal states of Colima and Jalisco after an earthquake measuring 7.6 on the Richter scale killed dozens of people and destroyed buildings.

US Senator Nunn announces retirement: US Senator Sam Nunn, one of the most influential Democrats in Congress, will retire next year after nearly a quarter of a century in office.

The 57-year-old former chairman of the Senate Armed Services Committee (left) who is considered the most knowledgeable senator on military issues said he had decided not to seek a fifth six-year term for personal reasons. The move comes as a severe blow to what little hopes the Democrats have of regaining control of the Senate. Resignation puts Democrats on defensive, Page 16

EU minister warns of transport choices: EU Commissioner for transport Neil Kinnock warned that limits might have to be imposed on the choices people and companies make if the EU's growing transport crisis is to be solved. Page 3

Mass strike threatens France: Five million French public sector workers are set to stage their biggest strike in a decade today. The planned 24-hour stoppage is to protest at the government's refusal to push up civil service pay next year. Elite corps under attack, Page 14

Nedlloyd shares fall 15%: The shares of Nedlloyd, the Dutch shipping and road haulage group, fell 15 per cent after the company scaled down an earlier profit forecast and said it expected a substantially lower result in 1995. Page 17

Czech health minister dismissed: The Czech government dismissed its health minister to try to head off a growing crisis caused by losses at health insurance funds and a strike threat by doctors. Page 3

Brazil to end car import quotas: Brazil is preparing to end quotas on vehicle imports following criticism at a meeting of the World Trade Organisation in Geneva. Page 4

Commerzbank reaffirms UK interest: Commerzbank, the German bank, remains interested in making an investment banking acquisition in London, despite having drawn back from a bid for UK stockbroking firm Smith New Court earlier this year. Page 18

Alumax, the US aluminium group, is to buy privately-held Crescendo Aluminum, a leading manufacturer of extruded aluminum products. It will pay \$450m in cash and assume or retire about \$70m of Crescendo's obligations. Page 20

Telkom, the state-owned Indonesian domestic telecommunications group to be partially listed in a simultaneous public offering in London, New York and Indonesia in the next month, is offering the Indonesian public one bonus share for every 10 Telkom shares they buy. Page 21

US train derailment kills seven: A passenger train en route from Miami to Los Angeles with 248 passengers, derailed in the Arizona desert, killing one person and injuring more than 100, in what authorities said may have been an act of sabotage.

US traders reject drug allegations: London futures traders are keen to debunk claims of drug abuse which have arisen following the discovery of cannabis in a dealer's possession. Page 9

Former UK prime minister dies: Lord Home of the Hirsch, UK prime minister for just a year in 1963-64, has died, aged 92. Page 10

STOCK MARKET INDICES

	US STOCK MARKET INDICES	EU STOCK MARKET INDICES	UK STOCK MARKET INDICES	OTHER RATES	NORTH SEA OIL (Argus)
New York	4722.30	4722.30	4722.30	DM 1.3963	\$15.92
Japan	14,911	14,911	14,911	DM 1.3963	(15.70)
ASX/200 Composite	827.01	827.01	827.01	DM 1.3963	
Europe and Far East	+25.03	+25.03	+25.03	DM 1.3963	
CA20	1765.71	1765.71	1765.71	DM 1.3963	
DAV	+2.74	+2.74	+2.74	DM 1.3963	
FTSE 100	3510.13	3510.13	3510.13	DM 1.3963	
Metals	18176.27	18176.27	18176.27	DM 1.3963	
	(330.01)	(330.01)	(330.01)	DM 1.3963	
US RATES					
Federal Funds	closed	(5.14%)	closed	DM 1.4119	1.4119
3-month T-bills Yld	closed	(5.57%)	closed	DM 1.4119	1.4119
Long Bond	closed	(10.53%)	closed	DM 1.4119	1.4119
T-bill	closed	(6.427%)	closed	DM 1.4119	1.4119
				DM 1.4119	1.4119
OTHER RATES				DM 1.4119	1.4119
DM 3-mo Interbank	8.25%	(8.14%)	8.25%	DM 1.4119	1.4119
DM 10 yr Bnd	10.02%	(10.03%)	10.02%	DM 1.4119	1.4119
France 10 yr OAT	10.03%	(10.08%)	10.03%	DM 1.4119	1.4119
Germany 10 yr Bund	12.01%	(12.02%)	12.01%	DM 1.4119	1.4119
Japan 10 yr JGB	11.32%	(11.34%)	11.32%	DM 1.4119	1.4119
				DM 1.4119	1.4119
US STOCK MARKET INDICES				DM 1.4119	1.4119
New York Comex	5387.8	(386.1)	5387.8	DM 1.4119	1.4119
London	5384.5	(383.1)	5384.5	DM 1.4119	1.4119
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NEWS: EUROPE

Bank waves interest-rate stick as speculators nip at the currency

Market tests the French franc

By Philip Gavith in London

Ever since Jacques Chirac was elected president of France in May, foreign exchange markets have been spoiling for an attack on the franc. That moment has now arrived.

The Bank of France's decision yesterday to lift its 24-hour lending rate to 7.25 per cent, from 6.15 per cent, after the suspension last Friday of the 5-10 day lending window, was evidence that battle has again been joined between the central bank and currency speculators.

It is too early to talk of victory, or to predict whether early skirmishes will develop into a fully fledged crisis. At the moment an uneasy stalemate prevails.

The franc closed in London yesterday at FF17.512 six pence lower than a week ago, but off its low of yesterday morning before the Bank raised rates.

The market has been here before, during the exchange rate crises of 1982/83, and again in the first quarter of this year. Familiarity, however, has not fostered agreement. While there are many observers who

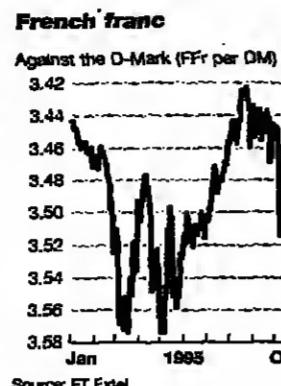
believe the franc is sure to fall to FF13.80/65 against the D-Mark, this is by no means a foregone conclusion.

Those less sure that a franc crisis lies ahead point to the strength of the Franco-German axis. The franc is the only European currency the Bundesbank has shown much appetite for defending, and if it again shows itself willing to support the Bank of France, even the bravest speculator will be forced to reconsider.

A possible pointer to Bundesbank resolve came from Mr Hans Tietmeyer, its president, who said yesterday from Washington: "The French franc, as based on economic fundamentals, is still one of Europe's strong currencies."

What the Bank of France has sought to do so far is make it more expensive to speculate against the currency. Speculators make money by borrowing the currency they believe is likely to fall, then selling it, in the belief that they will be able to buy it back again more cheaply. Their borrowings are funded at prevailing domestic interest rates.

The central bank has pursued its aims by closing its 5-10



Source: FT Estel

day lending window, used by institutions to make up emergency funding shortfalls, and replacing it with a 24-hour facility which leaves borrowers uncertain of daily interest rate moves.

Further to that strategy, the Bank yesterday lifted the 24-hour borrowing rate to 7.25 per cent from 6.15 per cent. Generally financial institutions rely on getting their funds at the so-called intervention rate, which has been unchanged at 5 per cent for more than a year.

But the central bank was also limiting access to these funds by costing speculators money, higher rates also have limited impact. Many of them will have locked in borrowings at three-month rates before the central bank responds. Even if they have not, the currency does not have to move far to cover the increased cost of borrowing.

But the Bank's main aim in

yesterday, forcing institutions to turn to the open market, where rates are higher, or emergency rates, to meet their funding needs.

Banks can absorb these costs for a few days, but if the rates are sustained, they will be forced to pass them on to corporate and retail clients.

By pursuing this strategy, the Bank not only hits speculators, it raises costs to the banking system as a whole. For this reason, the Bank, and even more the government, will be anxious not to keep rates high for long.

"It is not a sustainable position. We are talking days and possibly a few weeks, rather than months and months," said Ms Jane Edwards, international economist at Lehman Brothers in London.

In terms of costing speculators money, higher rates also have limited impact. Many of them will have locked in borrowings at three-month rates before the central bank responds. Even if they have not,

the currency does not have to move far to cover the increased cost of borrowing.

With central banks not forced to defend any particular level, this makes the task of the speculator more difficult.

Previously, central banks of ERM member-currencies were forced to defend much more onerous 2.25 per cent fluctuation bands. The present 15 per cent fluctuation bands were introduced in August 1993.

had a decade ago.

On pay, the public sector unions admit they have done better than the private sector over the past three years, but still have ground to make up which was lost in the 1980s.

They also fear that the government will impose on them the pension reform decree in 1993 for the private sector.

Private employees now have to contribute over 40 years to receive pension benefits calculated on the average of their 25 highest-paid years. Civil servants get a fair better deal, paying for only 37.5 years to get a pension based on their pay in their final six months of work which, given the system of automatic promotion, is always their highest.

In addition, the unions fear imminent reform of the social security system will put an end to their role as co-managers of this system along with employers. Force Ouvrière, the union federation most deeply entrenched in the welfare system, has threatened further strikes on this score alone.

Public utility employees at France Télécom, Électricité de France, Gaz de France, and the SNCF railways all feel threatened by pressure from Brussels for deregulation, if not privatisation. They recently received backing from the National Assembly's European affairs committee, which earlier this month declared that "the principles of public service go to the very organisation of French society, and are thus not negotiable, in particular with the [EU] Community authorities".

A second problem in judging currency swings is the base date for measuring change. For example, the Italian lira dropped 33 per cent against the D-Mark between summer 1992 and mid-1995, but was widely judged to be overvalued in 1992.

In an effort to placate the French and Belgians, Commission officials are examining whether to float a scheme similar to the one the Irish government used in late 1992 to offer temporary relief to exporters hurt by sterling's devaluation.

However, any scheme would be unlikely to yield large sums.

A national assistance plan would put strains on the French budget, while a Brussels subsidy would trigger counter-claims by other countries.

Unions close ranks against pay freeze

The French government's threat to wages has produced an unusual unity of purpose among organised labour, writes David Buchan in Paris

Much of France will come to a halt today as the country's 5m civil servants and public sector workers protest at a planned pay freeze next year by holding a 24-hour strike, which will also prevent many of them getting to work.

In its effort to reduce the budget deficit, Mr Alain Juppé's government is trying to restrain growth in the public sector wage bill of FF165bn (\$130m), or about 40 per cent of the total budget.

It is therefore postponing any increase in pay rates next year, though because of the carry-over effect of this year's public pay increases – including a 1.4 per cent raise on November 1 – and automatic promotion for many civil servants, the total public wage bill will increase by 3.2 per cent.

Mr Jean Puech, the civil service minister, said yesterday the government had honoured all past pay promises, and reiterated that he was ready to start negotiations by the end of this year on a pay deal covering 1997-98. He warned that the strikers could alienate French public opinion, which, in contrast to many other industrialised countries, holds civil servants and public utilities in relatively high regard.

The impact of the strike, which also involves ministries, town halls and tax collection, will be felt mainly in schools and public transport. International train services originating or ending in France, such as the cross-Channel Eurostar, will be hit more than trains transiting the country. Bus

prime minister, Mr Jacques Chirac, now president.

The stoppage is planned for today only, but unions yesterday warned of more. Mrs Nicole Notat, president of the traditionally moderate CFD, called it "a warning shot" across the government's bows, while Mr Louis Vianet, head of the left-wing CGT, forecast a "prolongation" in order to try to bring Mr Puech to the hag-gaining table.

The latter, however, is only

ready to discuss 1997-98 pay.

The stakes are far higher than in 1986, when the unions held their strike but the Chirac government held its line on pay. With the franc under severe pressure, and France under the Maastricht deadline to cut its deficits, Mr Juppé's government cannot afford to give the financial markets another sign of wavering on public spending. For their part, the unions have a far longer list of grievances than they

had a decade ago.

On pay, the public sector unions admit they have done better than the private sector over the past three years, but still have ground to make up which was lost in the 1980s.

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France's President Jacques Chirac arrived in Madrid yesterday for a summit with Mr Felipe González, the Spanish prime minister, which both want to steer away from controversy over French nuclear tests. Reuter reports. Mr Chirac, seen above (left) with King Juan Carlos, was shielded from protesters on arrival. However, left-wing Spanish politicians, environmentalists and unionists plan to circumvent their prime minister's good intentions and make Spanish public opinion known to the French leader.

Russian unions struggle for trust of workers

One of the centres of power in the Soviet era is facing a capitalist challenge, writes John Thornhill

Lenin once famously defined the role of trade unions in a workers' state as "the transmission belts from the Communist party to the masses" and until the very last days of Soviet power they faithfully upheld this highly politicised role.

Even before the Soviet era, there was little tradition of independent union initiative. Under Tsarism, the police authorities created their own controlled trade unions in an attempt to cut the ground from under the feet of revolutionaries.

This perverted legacy is still

evident in Russia today. A recent nationwide survey* of 2,000 Russians by Britain's University of Strathclyde revealed widespread distrust of trade union representatives. Only 16 per cent of the respondents who were trade union members said they trusted their national leaders to look after their interests.

A quarter of the respondents said their leaders did not do much to help their members and another 25 per cent suggested they did nothing at all. Trade union members had more faith in their local representatives but still expressed doubts about their motivation.

In many companies, the office of the chief trade union official was located next door to that of the general director. Only slowly are officials beginning to distance themselves physically from management by moving into other quarters.

The first challenges confronting Russian trade unions today are therefore not only to disentangle themselves from their contentious past and create a role for themselves in a transformed political and economic climate but to win the trust of their own members.

Mr Boris Misnik, the quietly-spoken president of the Russian Mining and Steel Trade Union, who is widely regarded as one of the most progressive of a new generation of trade union leaders, says such a transformation will first require a change in the mentality of union leaders.

Most trade union representatives are functionaries. They have a cadre of old communists and a deficit of good people," he says in his office opposite the Moscow Operetta

old Communist union organisations which retain substantial assets in property are reasserting themselves in collaboration with friendly governments.

The most serious violation of union rights so far has taken place in Belarus where free unions were suppressed last month by presidential decree when they began a bus strike in the capital, Minsk. A complaint has been made by the ICFTU to the International Labour Organisation in Geneva over the suppression. The ICFTU has warned that if Belarus does not comply with existing ILO standards it will press for an end to international aid to the country.

widely represented in the workplace, at least, the official trade union movement has a strong base from which to begin the reconstruction. The unions created in Soviet times still boast 55m members, and though the headquarters receive little in membership dues, many of them have grandiose office buildings in Moscow and holiday homes on the Black Sea coast which could be sold to give them financial muscle.

The unions still have the organisational infrastructure to bring a lot of workers out on strike – though some of the most recent demonstrations in Moscow have been poorly attended, half-hearted affairs. They are also woefully unrepresented in the left-of-centre political groupings which could give them a strong political voice in the run-up to parliamentary elections in December.

A recent study of Russian trade unionism by the Centre for Labour Market Studies, part of the Institute of Economics at the Russian Academy of Sciences, and the International Confederation of Free Trade Unions, found unions still do not consider trade unions as equal partners in the negotiating process, or as organisations able to uphold

the interests of their members.

To those who see unions as able to play a positive social and economic role, there is a desperate need for effective trade union leadership in Russia today.

Employers, they argue, are able to ride roughshod over the interests of their employees who have little prospect of redress through the courts.

Workers remain unpaid for months as they see their salaries eroded by inflation. A recent World Bank study on Russia concluded that the "working poor form the majority of the third of the population that lives below the official poverty line."

However, many economists argue that the weakness of the Russian trade union movement is good news for economic reform speeding its progress towards capitalism.

While Russians would appear to have more reason than most to protest, the strike rate in Russia is only a tenth of the average for the 25 industrial countries of the Organisation for Economic Co-operation and Development.

Brussels braced for Paris pressure

By Lionel Barber in Brussels

Mr John Goossens, chief executive of Belgacom, the Belgian state telecoms company, yesterday hit back at European Commission demands that incumbent operators such as Belgacom should have to pay the same licence fee to run a mobile telephone service as newcomers operating second and third services.

Following the advice of the Commission, the Belgian government is to demand a BF980 (\$300m) payment from Belgacom for running the country's first mobile service, the same fee it charged to the Mobistar consortium when it was awarded Belgium's second GSM licence last month. Mr Goossens said the demand was unfair. "If someone bidding for a licence puts BF980 on the table and then goes bankrupt in two years, we don't think we should have to follow suit," he said.

Brussels officials predicted that French industry would respond to the squeeze with fresh calls for special relief to compensate for currency swings, even though many believe this would infringe the single market.

French exporters, supported by their government, have been lobbying Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, to conclude that a hard-currency policy in pursuit of the goal of monetary union can carry economic penalties; but he is sensitive to claims that French and Belgian exporters have suffered from temporary shocks.

He is loth to concede that a hard-currency policy in pursuit of the goal of monetary union can carry economic penalties; but he is sensitive to claims that French and Belgian exporters have suffered from temporary shocks.

Last month, the Commission's economics directorate produced a draft report which concluded there was no evidence to support French and Belgian claims that their economies were suffering.

The draft argued that strong currency countries such as France, Germany and Belgium have gained in competitiveness because their policy produced lower interest rates, low inflation and a squeeze on industrial costs.

Mr de Silguy has ordered his officials to seek more information on the effects of currency swings, particularly in trade price-sensitive sectors such as cars, furniture and textiles.

A second problem in judging currency swings is the base date for measuring change. For example, the Italian lira dropped 33 per cent against the D-Mark between summer 1992 and mid-1995, but was widely judged to be overvalued in 1992.

In an effort to placate the French and Belgians, Commission officials are examining whether to float a scheme similar to the one the Irish government used in late 1992 to offer temporary relief to exporters hurt by sterling's devaluation.

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NEWS: EUROPE

Macedonians pass deal but fear for unity

By Laura Silber

The parliament of Macedonia yesterday endorsed a US-sponsored agreement which will open the way for Greece to lift an 18-month blockade of its northern neighbour.

But as this difficult dispute was on the verge of resolution, a power struggle was going on in Macedonia after last week's bomb attack which left President Kiro Gligorov close to death.

The agreement with Greece, which was ratified by the 120-seat Sobranie, as the country's parliament is known, was accepted last month by Mr Gligorov. It says Skopje harbours no territorial ambitions in regard to Greece and will adopt a new flag.

Now that parliament has formally ratified the treaty, Greece is obliged to lift its crippling embargo and allow freedom of movement between the two countries by October 13. Macedonian parliamentarians last Thursday adopted a new national banner, abandoning the 16-pointed star of Vergina, which Greece claimed as its own.

While the deal was set to enhance the stability of the region, it has been overshadowed by the assassination attempt against Mr Gligorov, who received severe head injuries when a car bomb exploded as he drove to his office in the centre of Skopje.

There is a concerted effort to make it appear that life is going on as usual in Macedonia.

Yet the deep fear is that a prolonged power struggle will be dangerous, not only for the stability of the tiny country, the only republic to secede from Serb-dominated Yugoslavia without war.

The impact would be much wider, as any of Macedonia's neighbours could intervene. In the heart of the Balkans, Macedonia borders on Serbia, Albania and Bulgaria, in addition to Greece.

Despite Mr Gligorov's effort to resolve feuds, problems

remain with Skopje's neighbours.

Serbia so far has failed to recognise Macedonia. Tirana has objected to the status of the Albanian minority, which comprises nearly a quarter of Macedonia's 2m population.

While Mr Gligorov has worked to improve relations between the Macedonian Slavs and the Albanians, some local Albanian leaders insist on autonomy.

Bulgaria has recognised the state of Macedonia, but has

Political jostling is taking place behind the scenes out of deference for the president, who is recovering from his wounds

balked at recognising the Macedonians as a separate nation.

The absence of Mr Gligorov from the political scene is a serious setback for Macedonia. His allies are hoping that the 78-year-old president will quickly resume duties, if only for an hour each day, and remain a symbol of unity.

But if the constitutional court rules that Mr Gligorov is unable to return to work, fresh elections must be held within 40 days.

A likely contender would be Mr Stojan Andov, the speaker of parliament, who is the acting president.

A career technocrat, Mr Andov is bitterly disliked by Mr Gligorov's supporters. Observers say a final showdown could pit Mr Andov against Mr Vasil Tupurkovski, the charismatic Macedonian representative to the former Yugoslavia.

Out of deference to Mr Gligorov, the political jostling is taking place out of the public eye, but the battle's potential for damage is obvious to all.

By Vincent Boland in Prague

The Czech government yesterday dismissed its health minister to try to head off a growing healthcare crisis caused by losses at health insurance funds and a strike threat by doctors.

Mr Ludek Rubas was dismissed in the face of growing opposition by doctors angered by his refusal to discuss their claims for higher pay.

A healthcare crisis has been building for almost a year as a result of big losses incurred by many of the country's 25 health insurance funds, state-sponsored bodies set up to provide medical insurance for individuals. It has come to a head in recent weeks after a group of doctors threatened a one-day strike on November 1.

The strike threat was not immediately withdrawn yesterday after the minister's removal. Mr Rubas threatened last week to sack any doctors who stopped working.

Mr Jan Strasky, transport minister, has been appointed to replace Mr Rubas, with Mr Vladimir Budinsky, chairman of parliament's budget committee, joining the government to take over from Mr Strasky.

Mr Vaclav Klaus, the prime minister, described circumstances in the health service as "untenable" and said Mr Strasky would ensure greater co-operation with doctors in

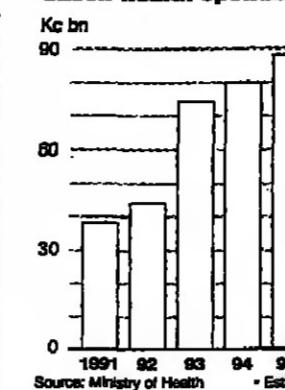
addressing its problems. The government has become alarmed at the way the crisis has mushroomed. Mr Klaus's coalition allies pushed strongly for Mr Rubas's removal in the past few days.

The government has been attempting without visible success to privatise parts of the health service since it assumed office in 1992. It wants a big reduction in the number of doctors and has tried to privatise hospitals by encouraging physicians to get together to buy them. This policy has been undermined by the profession's lack of capital, which is itself related to low salaries.

The losses at the nominally independent insurance funds are caused by a fee-for-service method of payment for treatment. Doctors are paid according to the number of patients they see and the amount of treatment they recommend, meaning that it is most profitable for doctors to see as many patients as they can.

The problem has been made worse by competition among the funds for customers. Each fund is financed by a basic contribution from individual members, with extra treatment subject to extra contributions. In their drive to expand membership, however, some funds have offered additional services at no extra cost. Total accumulated losses are estimated at Kč3bn (\$14m).

Czech health spending



Czech prime minister Vaclav Klaus has taken action after describing circumstances in the health service as "untenable".

"What is needed is a system that encourages doctors to have healthy patients, not sick patients," he said.

Mr Strasky has been given a sensitive task by the government, which is facing a general election before next summer. He is likely to seek an early meeting with doctors to head off the strike and for a reduction in the number of insurance funds to create a smaller group of stronger institutions.

A study being undertaken this month is expected to draw up recommendations on the type of health system most suited to the Czech Republic, and is likely to involve a considerable degree of private insurance and healthcare.

Belgian MPs to decide on Claes

By Lionel Barber in Brussels

A special Belgian parliamentary panel yesterday began studying a recommendation from the country's highest court that Mr Willy Claes, Nato secretary general, should be stripped of his parliamentary immunity and indicted in the bribery scandal involving the Italian helicopter maker, Agusta.

Mr Claes, who has repeatedly stated he has done nothing wrong, faces charges of corruption, forgery and fraud. Belgian ministers and former ministers can only be prosecuted with the permission of parliament which must vote to lift immunity.

The parliamentary panel could give its verdict as early as this week. If MPs recommend lifting immunity, the pressure on Mr Claes to resign would be overwhelming.

Mr Claes has clung tenaciously to his Nato job despite being forced to change his story earlier this year. After first denying that he had ever heard of any bribe money being paid by Agusta, he later admitted that he had been told of a possible "gift" to his Flemish Socialist party. At the time of the contract, in the late 1980s, companies in Belgium could make financial contributions to parties deductible against tax. The Flemish Socialists accepted money from business but officially steered clear of military contractors.

Nato governments have so far insisted that the Agusta affair involving kickbacks for government contracts is a domestic matter, but the affair has already claimed four Belgian ministerial scalps and the threat of corruption charges against the head of Nato comes at a sensitive time as the alliance seeks to broker a peace settlement in Bosnia and lay the ground for enlargement to central Europe.

Potential candidates to succeed Mr Claes include Mr Uffe Ellermann-Jensen, former Danish foreign minister, and Mr Ruud Lubbers, former Dutch prime minister.

Kinnock warns of tough choices

By Caroline Southey in Brussels

Mr Neil Kinnock, EU Commissioner for transport, yesterday warned that limits might have to be imposed on the choices people and companies make if the EU's growing transport crisis is to be solved.

The Commissioner said congestion was costly in economic terms and was causing heavy pollution as well as energy consumption. In addition, he said, nearly 1,000 people were killed in road accidents in the EU every week – the equivalent of three jumbo airliners or one large passenger ferry going down every seven days.

Mr Kinnock, speaking in Copenhagen, said it was imperative "effective strategies to cope with gridlock" were worked out, since traffic volumes in the EU were likely to double in the next 20 years.

"It may be that the freedom and the choices of individuals and businesses will have to be further curtailed for the purpose of maintaining the wider liberties, health and well-being of the broader community," he said. This was not a "new conundrum" for democracies, he added, but one which "poses itself with increasing urgency".

Many of the necessary changes for decongestion "must obviously and rightly be taken at national and local level", he declared. The contribution from the EU was to identify common problems and publicise best practices.

The Commissioner argued that an effective programme of cutting congestion would have to include a "strategy for increasing the use of public transport, for making it more accessible to those who now rely heavily on their cars".

While people could be persuaded, or pulled, on to public transport systems by improving the services on buses, trains, trams and metro systems, it was necessary to have "push" policies aimed at deterring car traffic.

"If the clogging – the thrombosis – of urban transport systems is to be reduced or cured, the use of cars is

going to have to be squeezed even while the alternatives to cars are expanded."

There was a growing feeling that more emphasis should be put on measures to make the price of road use reflect its full cost.

Road users still did not bear the full costs, he argued, while society as a whole met the bills for congestion, accidents, land use and environmental damage.

Mr Kinnock will publish a Commission Green Paper in the next few weeks, to be called "The Citizen's Network", setting out the problems and possible solutions for a more effective EU transport system.

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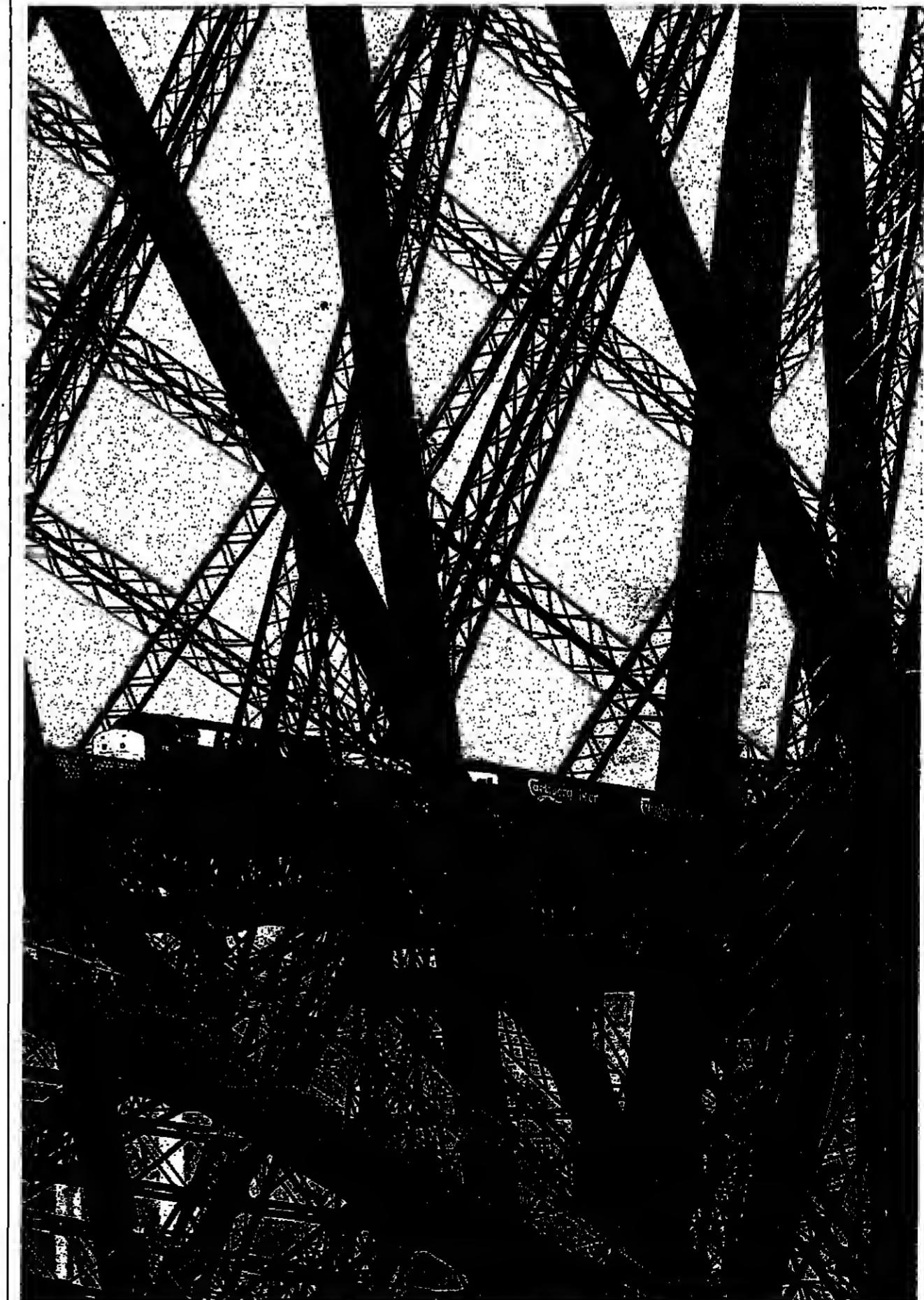
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NEWS: WORLD TRADE

Turkish port to gain from oil deal

By Steve LeVine in Baku and Bruce Clark in London

Western oil companies drilling for oil in the Caspian Sea confirmed yesterday that their initial output would be split between Russia and Georgia, and they predicted that southern Turkey would provide the main outlet in the longer term.

In a new position, leading members of the consortium said yesterday they agreed with the Turkish government's view that the Mediterranean port of Ceyhan would probably

be the best outlet for the bulk of their Caspian production.

They also announced formally their decision to divide so-called "early oil" of about 80,000 barrels per day between a Russian pipeline running through the war zone of Chechnya and a Georgian route.

The decision was announced in Baku, capital of Azerbaijan which signed a \$5bn contract last September with a consortium of mainly western oil companies to drill for oil in three Caspian fields. The eventual output is expected to reach 700,000 b/d.

any early oil pumped through Georgia.

Oil industry experts in Baku said there were indications that most of the early oil from the Caspian, expected to reach 80,000 b/d by 1999, would run through Russia.

Despite the Chechen war, the Russian route is nearer completion, requiring about \$50m-worth of repairs compared with just under \$200m for the Georgian option. Financing details for the Georgian route, the subject of several proposals from Turkey, have yet to be settled.

Any disappointment among Turkish officials over the decision on the early oil route is likely to be outweighed if predictions of a main pipeline running to Ceyhan are borne out.

"As we see it now, Ceyhan will be the eventual exit point for the main pipeline," said Mr Terry Adams, AIOC president. Mr Adams, a nominee of British Petroleum, said Mr Greg Rich of Amoco, vice-president of the consortium, would lead a study to determine the best route from Azerbaijan to southern Turkey.

See Editorial Comment

Philippine car sales powered by recovery

One of the most visible signs of the Philippines' three-year economic recovery is the endless traffic jams choking Manila's highways. Rising disposable incomes and the emergence of a salaried middle class have led to an explosion of car sales over the last 18 months.

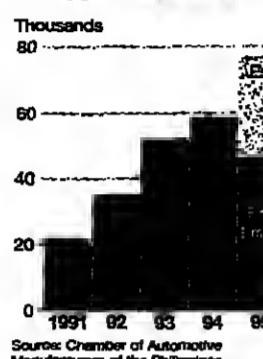
Since January the number of cars sold in the Philippines has risen by more than 20 per cent. Sales in the last eight months were 35 per cent higher than the equivalent period last year.

The Chamber of Automotive Manufacturers of the Philippines estimates that this year's sales target of 60,000 private cars will be comfortably exceeded. If growth continues at its current rate the number of private cars in the Philippines will have doubled between January 1995 and December 1996.

"The Philippines has reached the level of per capita income which Thailand had in 1986," said Mr Ryo Miyajima, president of Honda Philippines. "At \$1,000 per head nationally and \$2,500 for Metro Manila, the Philippines is now at the stage of automotive take-off," he said.

Mr Miyajima, whose assembly plant in Laguna Technopark, 40km south of Manila,

Philippine car sales



churns out 13,000 vehicles a year, said that the comparison with Thailand was apt.

Since 1996 private car sales in Thailand - mostly Bangkok - have risen fivefold to 500,000 units. Honda projects that such sales in the Philippines, whose population of 67m is roughly the same size as that of Thailand, will reach the half-million mark by the turn of the century.

Like most of south-east Asia, the bulk of Philippine car sales are accounted for by the biggest Japanese vehicle manufacturers, most of which have assembly lines in the country. More than 80 per cent of cars sold in the Philippines are

assembled locally by Toyota, Mitsubishi, Nissan, Honda and Mazda.

The remainder of the market is mostly imported Daewoo and Hyundai models from South Korea. Earlier this year Daewoo announced plans to set up an assembly line in Cebu, the Philippines' fastest growth area, which is expected to begin operations in the next 12 months.

Last month Honda, which has a 16 per cent share of the market, said it would increase its Philippine workforce from 500 to 800 and introduce 24-hour shifts to double its annual production to 24,000 vehicles. The company, which has so far invested 600m pesos (US\$23m) in the Philippines, is also planning to introduce its new Civic model there.

The other manufacturers, most notably Toyota, are drawing up similar expansion plans. With 11,205 units sold so far this year, Toyota has a 24 per cent market share.

The automotive industry in the Philippines is at an exciting stage," said Mr Ricardo Delatorre, senior vice-president of consumer financing at the Family Bank of the Philippine Islands. "It is also a period of growth for bank financing. So far this year we have drawn up



With disposable incomes rising, the Philippines is poised for an 'automotive take-off'

David Luce

around 25 per cent more car lending packages than last year."

There were two reasons for this, Mr Delatorre said: the emerging middle classes, and a sharp fall this year in interest rates.

Industry analysts said that most of the expected demand over the next five years would be met by locally assembled cars which, under government regulations, must source a minimum of 40 per cent domestic parts.

Companies such as Proton, the Malaysian state car manufacturer, are planning to join the big Japanese producers assembling cars at a plant on

Luzon, the country's main island. According to Mr Ernesto Tan, vice-president of Proton Philippines, the company will invest 2.2bn pesos on its 25 hectare Philippine plant, with an initial capacity of 40,000 vehicles a year.

"Our projections are very encouraging," Mr Tan said. "We hope to be producing about 70,000 vehicles a year within five years, some of which will be exported to Europe. The only constraint to further growth in the Philippine market is the country's appallingly outdated road infrastructure."

Companies such as Proton, the Malaysian state car manufacturer, are planning to join the big Japanese producers assembling cars at a plant on

Edward Luce

Brazil set to end vehicle import quotas

By Jonathan Wheatley in São Paulo

would take effect from the end of October.

However, Mr Alves stressed that the quotas would make no difference to car imports this year. "The limit was set at a very high level," he said. "There is absolutely no chance of it being reached."

A limit of 150,000 units on car imports for the second half of 1995 was introduced in June this year after seven months of mounting trade deficits.

The government had previously raised import duties on cars and durable consumer goods to 70 per cent.

A combination of high duties and other measures to restrict consumer

spending have since brought car imports to a virtual standstill.

According to WTO rules, imports and other quantitative trade restrictions can be justified only by balance of payments difficulties. Brazil's trade partners argued that, with foreign reserves of around US\$47bn, this line of defence was unjustified.

Mr Alves said criticism was particularly strong from South Korea and from Japan, the European Union and the US.

He said some countries might take advantage of WTO rules that allowed claims for compensation against unjustified trade restrictions. However, he said paid summons were unlikely given that

car imports to Brazil had been limited by domestic demand rather than by the quotas.

Although lifting the quotas will make no practical difference to imports this year, Mr Alves said the WTO recommendation might affect Brazil's vehicle industry policy in the future.

The government's proposals for the industry in 1996 include import quotas fixed as a percentage of domestic car production.

"The limit on auto imports has yet to be defined," Mr Alves said. "But, of course, we will reflect on what was said in Geneva when we prepare legislation."

The EU has argued that Brazil should be asked to commit itself to certain goals and should be given a transitional period to meet them.

The EU push on the WTO front comes amid signs of renewed tension over the US trade deficit with China.

Ms Wu said it was necessary to change the international method of compiling trade statistics as China had difficulty with trade figures relating to other countries.

She also announced that the EU had committed itself to 48 new projects in China worth \$1.2bn, while formal business agreements had been signed.

WORLD TRADE NEWS DIGEST

Siemens turns to Asia-Pacific

Siemens, the German electronics company, yesterday announced it would pour more than \$4bn of new investments into the Asia-Pacific region before the turn of the century, to take advantage of the increasing need for telecommunications and infrastructure.

The group predicts its sales in Asia will double to \$15bn within four years and said most of the company's forecast growth would come from Asia.

"There is enormous demand for infrastructure goods in the region. By the year 2000 some 100m new telephone lines will be in use," said Mr Günter Wilhelm, vice-president of Siemens, in Manila yesterday.

The share of the group's sales in Asia-Pacific would double from 10 per cent to about 20 per cent, he added. Around 60 per cent of the group's sales came from Europe in 1994.

Among the growth areas the company highlighted yesterday are power generation, which is expected to double from the 1995 capacity of 750,000MW to 1.75mMW by 2000, telecommunications and transport. The company is also extending its digital GSM global systems for mobile telecommunications) across the region. Edward Luce, Manila

BMW in Indian negotiations

India's Hero Motors is in talks with BMW of Germany to manufacture and market BMW cars for the Indian market. "We are at an advanced stage of negotiations with BMW, but it may be a month before we divulge any details," a senior representative of Hero Motors said yesterday.

BMW has an existing tie-up with the Munjal family's Hero group to produce 650cc motorcycles in India. The group's flagship, Hero Honda Motors, produces 100cc motorcycles under a technical agreement with Honda of Japan. BMW is expected to launch its 3-series models in India, to be launched there next year. Shriram Sidhu, New Delhi

■ The Interinfrat consortium led by Alcatel Alsthom has won a FF1.5bn (\$830m) contract to extend Cairo's second urban railway, including a section under the Nile. The 5.2km section will link the Sadat station in the city centre with Cairo university and will include four stations. Interinfrat built the existing 10.2km section of the second line, scheduled to open in the last quarter of this year. AFR, Cairo

■ FLS Smidth-Fuller Engineering, the Danish-American group, has won three contracts for cement production lines. The total value of the contracts is DKR1.2bn (\$213m). The Fuller Company, the American half of the Danish-owned group, is to supply two 7,800 tonne/day lines to Indonesian companies. The third contract is for the supply of machinery for a 7,500 tonne/day greenfield plant on the island of Kalimantan, Borneo, as a joint venture between Indocement of Indonesia, Kodeco of Korea, and the Japanese trading company Marubeni. Hilary Barnes, Copenhagen

■ Rhône-Poulenc Rorer has received approval from the Russian ministry of health to market three drugs in Russia. Azmacort for asthma, Nasacort for hay fever and Dilacor XR for hypertension and angina will be available in Russia by the end of year. Reuter, New York

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for October 15 1995 to November 14 1995 (September 15 1995 to October 14 1995 in brackets).

D-Mark	6.91	(6.99)
Ecu	7.44	(7.65)
French franc	7.77	(7.76)
Guilder		
up to 5 years	6.55	(6.70)
5 to 8.5 years	7.15	(7.20)
more than 8.5 years	8.00	(8.00)
Italian lira	10.75	(10.92)
Yen	2.30	(2.50)
Peseta	11.55	(11.78)
Sterling	8.52	(8.77)
Swiss franc	8.49	(8.58)
US dollar for credits		
up to 5 years	6.88	(7.10)
5 to 8.5 years	7.00	(7.24)
more than 8.5 years	7.13	(7.41)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed more than 120 days. SDR-based rates of interest are the same for all currencies. For the period from July 15 to August 31 1995, the SDR-based rate will be 5.60 per cent. The SDR rate was abolished on the August 31 1995.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES

	Narrow Money (\$100)	Broad Money (\$100)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.3	8.49	7.67	3.43
1987	11.6	6.8	6.82	6.39	3.12
1988	4.2	5.2	7.65	6.84	3.61
1989	1.0	4.0	6.98	6.50	3.41
1990	3.4	5.3	6.98	6.50	3.00
1991	6.0	5.7	7.87	7.26	2.22
1992	12.4	2.1	7.35	7.00	2.95
1993	11.8	1.3	3.22	2.86	2.78
1994	6.2	1.8	4.67	7.08	2.88
4th qtr. 1994	2.4	1.1	5.86	7.83	2.91
1st qtr. 1995	1.0	0.8	6.16	7.47	2.85
2nd qtr. 1995	0.1	1.7	6.03	6.60	2.65
3rd qtr. 1995			5.79	6.32	2.53
October 1994	2.1	1.3	5.51	7.67	2.97
November	2.2	1.0	5.81	7.95	2.91
December	1.7	0.9	6.28	7.81	2.96
January 1995	1.5	1.1	6.23	7.77	2.92
February	0.6	0.9	6.15	7.64	2.85
March	0.6	0.9	6.15	7.20	2.81
April	0.6</				

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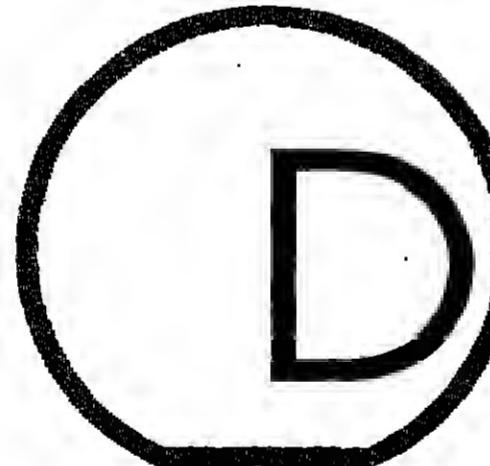
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NEWS: INTERNATIONAL

Ministers plead case for loans to poorest countries by World Bank arm

US pressed on funding for IDA

By George Graham
in Washington



Finance ministers from industrialised and developing countries lined up in Washington yesterday to try to persuade the US not to back out of its contributions to the International Development Association, the World Bank arm which lends at nominal interest rates to the poorest countries.

"We must each shoulder a fair share of the burden. I hope the United States and the other

major countries will recognise the need to show leadership and responsibility as they have in the past," said Mr Kenneth Clarke, the British Chancellor of the Exchequer.

"All countries should meet their current IDA obligations in a timely fashion," added Mr Paul Martin, finance minister of Canada, at yesterday's meeting of the development committee, the World Bank's policy-setting body.

Speaking to the first meeting of the committee since he took over as World Bank president in June, Mr James Wolfensohn avoided any direct reference to his largest shareholder, the US, which has not only fallen into

arrears on the money it promised to the current tenth replenishment but also appears likely to slash its contribution to IDA-11, now being negotiated.

But he left no doubt he believed IDA's future was jeopardised by the threatened shortage of funds.

"This is a very dangerous moment for IDA - and for multilateralism," he warned in a note circulated to ministers before the committee meeting.

"There is no issue of greater importance to the bank at this time than ensuring adequate funding for IDA in the medium term and preserving its multi-

lateral, burden-sharing character in the long term," he said.

The bank believes it will need a total of SDR15.3bn (\$22.8bn) for IDA-11, with SDR6.3bn expected to come from the bank's own resources.

But IDA's traditional burden-sharing formula would require the US to come up with about \$2.75bn, a figure few regard as achievable in the current US budget climate.

Mr Robert Rubin, US treasury secretary, said he was committed to finding the money the US pledged to IDA-10, but noted that despite its arrears, it had still contributed \$2.3bn.

"Our goal is to make every

effort to continue the basic historic commitment of the United States to IDA, while taking into account, in a realistic, pragmatic manner, the domestic budgetary and political atmosphere which now exists," Mr Rubin said.

Although mechanisms have been found in the past for preserving the principle of burden-sharing despite reduced US contributions, other donors are reluctant to repeat the experiment.

"Any deviation from a fair burden-sharing should be highly exceptional and temporary," said Mr Philippe Maystadt, the Belgian finance minister.



Kenneth Clarke: 'Shoulder a fair share of the burden'

Mideast ratings agency to open

By George Graham
in Washington

The first credit rating agency in the Middle East is expected to open its doors for business in the first half of next year.

The agency is the fruit of an agreement signed at the weekend by IBCA, the European ratings agency, the International Finance Corporation, the private sector offshoot of the World Bank, and the Arab Monetary Fund, a regional equivalent of the International Monetary Fund.

"This is expected to have a major impact on the development of local bond markets in the region," said Mr Jannik Lindbeck, executive vice-president of IFC.

IBCA will rate the sovereign debt of Arab countries, while the new joint venture will set up local subsidiaries to rate individual borrowers.

Mr Jassim al-Mamani, director general of the Bahrain-based Arab Monetary Fund, said the creation of a ratings agency would help to improve the quality of financial reporting and transparency in the Middle East.

Tunisia is the only Arab country to have its sovereign debt rated, although Moody's, the US agency, is expected to publish a rating for Jordan by the end of the month.

Financial officials said that, like the IMF's new requirements for governments to publish their economic data, the creation of the Inter-Arab Rating Company would help to deepen capital markets by encouraging transparency.

Mr Robin Moun-Davies, who runs IBCA, said the arrival of ratings could provide "quite a sharp shock to a financial system". He cautioned that the impact of the new agency on the development of regional capital markets would depend on the willingness of the financial authorities in each country to open up their markets.

"We as a ratings agency do not create the market but coexist with the creation of the market," he said.

IMF aims to stop ministerial meddling with data

By Robert Chote, Economics Editor, in Washington



The International Monetary Fund has promised to tackle political interference with official statistics. According to a background paper prepared by the IMF board, standards will be set that "reflect elements such as internal embargo procedures before data are officially released".

The Fund wants to make it more difficult for ministers to meddle with unflattering data before they are released.

"Executive directors noted that data provision was adequate for the majority of the

membership while expressing strong concern about the deficiencies that still existed for many members," says the paper. Ideally the Fund would like statistical agencies to be formally independent of the governments which pay for them, although it may be reluctant to press the point for fear of undermining political support for its initiative.

"Confidence in the statistics ultimately becomes a matter of confidence in the objectivity and professionalism of the agency producing the statistics," the board argued. The Fund hopes better statistics will help prevent unexpected financial crises.

The standards demand that all member countries provide the Fund on a timely basis

with 12 core statistics. Countries which are reluctant to provide the data that the Fund wants will first have to deal with IMF staff and then the executive director who represents them.

Ultimately, the country will be reported to the IMF board and those accepting it will be identified.

The Fund also wants to use non-official data when scrutinising economic policies but has agreed it must obtain a country's permission to do so.

The Fund has no authority to tell countries how to make data public to the markets, but is setting a standard recommending all countries publish a set of 17 statistics.

As it will take time for all countries to produce these

data on a regular basis, the Fund has agreed not to identify publicly those countries meeting the standard and those which miss it.

Countries seeking access to international capital markets will face a tougher standard and those accepting it will be identified.

The Fund management would like to double quotas, but Mr Philippe Maystadt, interim committee chairman, believes most members would support only a 60-70 per cent increase. This would boost IMF capital by up to \$150bn, although members would not have to pay up until money was needed.

Even if proposals for a quota increase are finalised by the board next year, they will have to be approved by member-countries' national parliaments. This would take at least two or three years.

Meanwhile, the interim committee has backed a proposal by the Group of Ten leading industrial countries to double the existing "general arrangements to borrow".

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These allow the Fund to borrow up to \$26bn to cope with financial crises such as Mexico's when its own resources are insufficient.

The G10 proposes a parallel arrangement involving the existing G10 members and up to 15 or 16 other countries.

Editorial comment, Page 15

List of the core data all countries should publish

Exchange rates
International reserves
Central bank balance sheet
Reserve money
Broad money
Informed rates
Consumer prices
External trade
Current account balance
External debt/debt service
Budget deficit
Gross domestic national product
Industrial production
Unemployment
Wages or earnings
Producer or wholesale prices
Domestic credit

Three win Nobel prize for research into embryo growth

A German and two US scientists have won the 1995 Nobel Prize for medicine for leading a research effort to answer one of the biggest questions in biology: what controls embryonic development? writes Clive Cookson, Science Editor.

Dr Christiane Nüsslein-Volhard, 52, of the Max-Planck Institute for Developmental Biology in Tübingen, Dr Eric Wieschaus, 48, of Princeton

University, and Dr Edward Lewis, 77, of the California Institute of Technology, won the \$1m award for their work on the process that creates the embryo from a single cell.

The three scientists did most of their research on the fruit fly

Drosophila, a favourite subject for biological research as it is so much simpler than humans and other mammals. Although they have not worked on medical applications, most of the genes they studied in Drosophila have counterparts important to the development of the early human embryo. Clinical scientists are now applying the findings to investigate

the causes of congenital malformations and to understand why miscarriages occur so frequently in early pregnancy; only 30 per cent of fertilised eggs lead to live births.

Dr Lewis, who belongs to an earlier scientific generation than his fellow-Nobel laureates, started working on Drosophila development in the 1940s.

He became fascinated by a strain of fruit fly that occasionally mutated and grew an extra pair of wings. This resulted from the failure of one control gene, he later discovered.

Drs Wieschaus and Nüsslein-Volhard worked together at the European Molecular Biology Laboratory in Heidelberg during the 1970s, discovering a set of genes

that determine the Drosophila development plan and the formation of body segments, organs and wings.

As the Stockholm Karolinska Institute said in its Nobel citation: "It was a brave decision by two young scientists at the beginning of their scientific careers... The chances of success were very uncertain."

ASIA-PACIFIC NEWS DIGEST

Malaysia public salaries up 20%

Dr Mahathir Mohamad, Malaysia's prime minister, (pictured left) has said increased salaries the government has agreed to give civil servants will cost an additional M\$2bn (\$80m) a year. The salary increase is the first in five years. Dr Mahathir said it represented a 20 per cent rise in wages. Civil servants said they wanted a steeper increase but Dr Mahathir described the offer as final. Private sector pay rises in Malaysia's fast-expanding economy have been running at 10-15 per cent a year, prompting concern that Malaysia may lose its competitiveness. Worries also exist about a current account deficit forecast to reach nearly 10 per cent of GDP this year.

Kieran Cooke, Kuala Lumpur

Taiwan to raise defence spending

Taiwan has decided to raise its defence spending by 20 per cent in fiscal 1996-97 (July-June), mainly to buy more military hardware, the mass circulation China Times newspaper reported yesterday. The increase was designed to cope with recent tensions across the Taiwan Strait and the island's current military needs, the paper quoted "authoritative" military sources as saying. Defence spending, excluding personnel expenses, will be raised by Ts40bn (US\$1.5bn) in the next fiscal year, it said. The entire defence budget was likely to hit a record Ts300bn, representing a 20 per cent increase over 1995-96, it added. The increased budget would be used to buy more US-made M60 A3 tanks, naval frigates, and transport aircraft, the military sources said.

Reuter, Taipei

Thai cabinet reshuffle ruled out
Mr Banharn Silpa-archa, Thailand's prime minister, yesterday ruled out a widely anticipated cabinet reshuffle and attacked critics of his three-month-old administration who allege it is incompetent. Mr Banharn's seven-party coalition government has been rocked by internal strife within his core chart Thani party and questions over the credibility of some cabinet members. It has also been the centre of media, academic and opposition criticism from mid-July when it assumed power. "I am puzzled by the wide criticism of my coalition although we have done a lot in past months and taken up many of the projects that were left behind by the previous government," Mr Banharn told reporters. "Give us some more time."

■ Mr Kukrit Pramoj, 84, the grand old man of Thai politics, and prime minister in 1975-76, died in hospital yesterday. He had been in critical condition for several weeks suffering from various ailments.

Reuter, Bangkok

Karachi government building hit
Hundreds of government workers fled from the Sindh Secretariat Office in Karachi yesterday, after militants fired up to seven rockets, injuring five people. The building, which provides offices to several provincial ministers, was badly damaged. The casualties are all out of danger, police said. News of the rocket attack knocked 19 points, or more than 1 per cent, off the Karachi Stock Exchange 100-share index.

Farhan Bokhari and Reuter, London

Tazawa denies making secret deal with opposition MPs

Japan's government shaken as justice minister resigns

By Gerard Baker in Tokyo

Japan's shaky coalition government suffered a new setback yesterday with the resignation of Mr Tomoharu Tazawa, the justice minister, following revelations about a secret deal he is alleged to have made with members of the parliamentary opposition.

Mr Tomio Murayama, the prime minister, accepted Mr Tazawa's resignation and appointed Mr Hiroshi Miyazawa as his successor. Mr Miyazawa, 74, is a senior figure in the coalition member Liberal Democratic party and the brother of the former prime minister, Mr Kiichi Miyazawa.

Mr Tazawa, who was appointed to the justice ministry only two months ago, continued yesterday to deny the reports of the secret agreement, but said his departure would be in the best interests of the coalition.

On Friday, several newspapers reported that the minister had persuaded the main opposition group in the upper house of the Japanese parliament not to ask embarrassing questions

about a loan he had received from a Buddhist organisation. In return for the opposition's parliamentary silence, the reports said, Mr Tazawa promised to oppose his own government's attempts to tighten controls over religious organisations.

Mr Tazawa told a news conference: "Swearing by my conscience, I have never done such a secret deal." But he had decided to resign, he said, in light of the government's need to pass the current year's budget through the upper house, a tortuous political process that would have been further complicated by the row.

Mr Tazawa is said to have received the Y200m (\$1.96m) loan from Rissho Koseki, a lay Buddhist organisation that supports him in elections.

The opposition New Frontier and Clean Government parties, whose officials are said to have been the counterpart to Mr Tazawa's proposal, both denied any deal yesterday.

But both parties are firmly opposed to the coalition's proposed tightening of controls over religious organisations.

The measures, prompted by the terrorist attack allegedly committed by members of the Aum Supreme Truth religious group earlier this year, will restrict fund-raising from all religious organisations, including more conventional groups. Both main opposition parties rely on contributions from such groups.

Mr Koken Nosaka, chief cabinet secretary, and Mr Ryutaro Hashimoto, international trade and industry minister, and chairman of the LDP, both attempted yesterday to play down the significance of the resignation, saying they accepted Mr Tazawa's protestations of innocence. "Both the New Frontier party and Mr Tazawa say they have made no such deal. We therefore believe there was no such deal," said Mr Nosaka.

But the resignation threatens to intensify divisions within the already unstable coalition of socialists, Liberal Democrats and the New Harbiner party, especially as it struggles to garner support for the proposed legislation.

The revelation that at least one cabinet minister was financially connected to a religious group will intensify efforts of the opposition to get the plan modified or dropped.

Such an outcome would anger many in the coalition, however, who see the proposed changes as right in principle and an important political opportunity.

Net minister was financially connected to a religious group will intensify efforts of the opposition to get the plan modified or dropped.

Such an outcome would anger many in the coalition, however, who see the proposed changes as right in principle and an important political opportunity.

Seoul curbs growth in investment abroad
By John Burton in Seoul

The Seoul government yesterday announced measures to curb surging overseas investments by South Korean companies because of worries they are accumulating too much foreign debt in their expansion abroad.

But corporate executives privately criticised the policy as a betrayal of government promises to deregulate the economy and promote globalisation of South Korean industry.

Seoul's Ministry of Finance and Economy said South Korean companies must use their domestic capital to finance at least 20 per cent of foreign investments worth \$100m or more, or 10 per cent below that amount.

The new policy reverses a 1992 decision allowing South Korean companies to rely completely on foreign loans to finance overseas investments.

The financial restrictions could jeopardise several big investment projects, including the construction of a \$1bn semiconductor plant by Sam

sung Electronics in the US

هكذا من الأجل

SEVEN



Who ever managed to catapult an entire country's telecommunications from the Stone Age into the future?



By 1997, Germany's new federal states will have the most advanced telecommunications infrastructure in the world. Who would have believed it back in 1990?

With the Wall gone, we still had another to scale.

It was a daunting, almost depressing prospect. The telephone system was still largely a relic of the twenties. Only one in ten homes was connected. Public telephones were a rare sight, fax machines in even shorter supply and mobile phones non-existent. Companies had virtually no means of data communication whatsoever. This desolate landscape cast a shadow over hopes of any rapid transformation to a market economy, let alone short-term economic upswing, for the former East Germany. This was a "national emergency".

The leap into the age of high-tech.

Engineering a state-of-the-art infrastructure out of nothing was a pretty unique undertaking in the world of telecommunications. But we did it. We built a network of super-speed highways, complete with new digital switching systems and no fewer than 5.3 million new connections to date. That's more than during the period between 1871 – the year the first telephone rang in Germany – and the collapse of the Berlin Wall. The basic blanket infrastructure for data lines, ISDN, mobile communications, radio and television is now almost complete. As the world's leader in the field of fiber optics, we'll be linking up 1.2 million homes in Eastern Germany this year with the latest in advanced communications technology.

In fact, we did the job so well that many other countries, notably those in the former Eastern Bloc, are looking to harness the vast experience, organizational skill and technological power of Deutsche Telekom in setting up their own networks.

Deutsche Telekom now a stock corporation.

At the beginning of this year, Deutsche Telekom made the move from public to stock corporation. This not only allows us greater freedom to keep pace with the rapid developments in the market but also to forge ahead with technological innovation even faster and more effectively for our customers. Today, Germany boasts the world's most advanced fiber-optics network and the highest number of ISDN connections – proof enough of our success.

You can share in our success.

Get to know our products and services tailored to meet your special needs and you'll get to feel the cutting-edge of tomorrow's technology. Come join the fast lane to the future.

Our connections move the world.

Deutsche Telekom

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George Garam

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NEWS: THE AMERICAS

Zedillo goes to US on pilgrimage of thanks

President Ernesto Zedillo begins a state visit to the US today armed with the most expensive entry visa ever paid by a Mexican leader.

His decision last Thursday to repay, ahead of schedule, \$700m of the \$12.5bn Mexico has borrowed from the US this year was timed to silence critics of the rescue package which President Bill Clinton brokered for Mexico in February.

The early repayment was welcomed by the White House, and will help smooth Mr Zedillo's meetings with congressional leaders. He is expected to reassure his hosts that Mexico will not borrow more US funds this year.

Mr Zedillo's trip is more a pilgrimage of thanks than a state visit. He owes Mexico's narrow reprieve from default, and perhaps his presidency, to Mr Clinton's ability to marshal \$50bn of international aid following the mishandled devaluation of the peso in December. Mr Clinton pledged \$20bn of the total package after the US Congress refused to back a plan to give Mexico \$40bn in loan guarantees.

Given the strong opposition of US legislators to the international rescue package, Mr Zedillo will not address Congress on this trip.

The US aid was also unpopular in Mexico. Opinion polls showed more than 60 per cent of Mexicans rejected Mr Clinton's assistance, believing it would jeopardise Mexican sovereignty by giving the US government de facto property rights over Mexican oil offered as collateral for the loans.

Many Mexicans also believe their country's economic poli-

President Bill Clinton is under pressure to raise an alleged Mexican violation of the North American Free Trade Agreement, during President Ernesto Zedillo's state visit to the US. Nancy Dunne reports from Washington.

In a dispute that has dragged on since implementation of Nafta on January 1, 1994, US express delivery companies have been forced to use small, inefficient vehicles, while their Mexican counterparts can use large trucks.

United Parcel Service, which has taken the lead on the issue, argues it has been denied "national treatment" -

cities, in the wake of December's financial crisis, are being decided in Washington rather than Mexico City, and they resent an austerity programme designed to restore the confidence of foreign investors at the cost of a recession and one million job losses.

In Washington and Wall Street, however, there is unequivocal praise for Mexico's unflinching application of an orthodox economic shock programme. The message Mr Zedillo will take to investors and fund managers when he visits New York is that Mexico's harsh adjustment to devaluation and capital flight has laid more solid foundations for future growth.

There will be little consolation for US exporters, who have seen a \$1.3bn trade surplus with Mexico last year turn into a \$3.6bn deficit in the first six months of 1995, according to the US Commerce Department.

Although Mexico is Amer-

ica's biggest trading partner after Canada, with two-way trade worth more than \$100bn a year, the fall of US exports to Mexico has strengthened opposition to the North American Free Trade Agreement. Both the US and Mexican governments see the contraction in trade as a temporary casualty of the Mexican recession.

Two other issues which usually cloud US-Mexican relations - illegal immigration and drug trafficking - will receive less attention on this visit. Mexico's foreign ministry says it is pleased with the willingness of US authorities to develop a common approach to illegal immigration.

US drug enforcement officials, for their part, say they are favourably impressed by Mexico's new attorney-general, Mr Antonio Lozano, and his efforts to fight corruption within Mexico's anti-narcotics squads.

Leslie Crawford

AMERICAN NEWS DIGEST

Quake hits south Mexico

Mexico yesterday declared a state of emergency in the south-western coastal states of Colima and Jalisco after reports that a strong earthquake had killed dozens of people and destroyed buildings in several towns.

President Ernesto Zedillo ordered troops and civil defence workers into the area to help the rescue and relief effort after the quake, which measured 7.6 on the Richter scale and also shook Mexico City. Buildings swayed in the capital, frightening people into the streets.

A Jalisco state spokeswoman said that at least 14 people had been reported killed and 80 injured in two small towns of Tenamaxtlan and America, near the Pacific Coast. Both towns were isolated by rockslides and collapsed bridges. Trading on Mexico's stock market was halted for 40 minutes. Agencies. Mexico City

Buenos Aires snubs Peronists

Argentina's governing Peronist party has been beaten into third place in senatorial elections in the federal capital of Buenos Aires, thereby suffering its first serious electoral setback since 1993.

Sunday's election was won easily by Mrs Graciela Fernández Meijide of the centre-left Frepaso alliance, who polled 45.7 per cent. The Radical party came second on 24.3 per cent, leaving Peronist candidate Mr Antonio Erman González in third place on 22.5 per cent.

Although the mainly middle class voters of Buenos Aires have traditionally been hostile to Peronism, the size of the defeat is bound to unnerve the governing party. Mrs Fernández Meijide campaigned strongly on the issues of record unemployment and corruption, two of the weakest flanks of President Carlos Menem's administration. The poll confirms Frepaso, which came second in May's presidential elections, as the main opposition force, usurping the role long held by the Radical party.

The stage is set for the election of a mayor of Buenos Aires later this year, the first time the post will be decided by vote. The Peronist party will seek to prevent what will be one of the country's most powerful political positions from falling into the hands of Frepaso.

David Pilling, Buenos Aires

Sabotage feared in train crash

An Amtrak passenger train was derailed in the Arizona desert yesterday killing one person and injuring more than 100 in what authorities said could have been sabotage. "We have evidence it was not an accident - it could be terrorist activity," Mr Joe Arpaio, Maricopa county sheriff, said.

Authorities said an electrical cord had been found wrapped around the tracks and notes had been found near the place where Amtrak's Sunset Limited train crashed en route from Miami to Los Angeles carrying 248 passengers. Reuter, Phoenix

Ecuadorian probe continues

Ecuador's supreme court is this week expected to resume investigations into Vice-President Alberto Dahik, despite his acquittal by Congress on corruption charges last Friday. Mr Carlos Solorzano, the court's president, said he would examine microfilms that document the alleged misuse of secret state funds by Mr Dahik.

It is unclear how President Sixto Durán Ballón will restore unity in his government after Mr Dahik refused to resign in response to the president's request 10 days ago. Mr Vicente Maldonado, industry minister and one of several cabinet members who expressed loyalty to the vice-president, said Mr Dahik and the president would have to talk "as mature men" to resolve the crisis.

Raymond Colitt, Quito

Drug funds for president denied

Mexico has strongly denied allegations by a Colombian news magazine that the Cali drug cartel donated money to Mexican President Ernesto Zedillo's election campaign last year. "The report ... quoting the Colombian magazine Cambio 16 as saying gangs of drug traffickers provided resources for the electoral campaign of the PRI candidate for the presidency is absolutely false," the Interior Ministry said on Sunday night. The weekly magazine had quoted an unnamed official from the US Drug Enforcement Administration as saying the cartel had partly funded Mr Zedillo's campaign, probably without his knowledge. It did not give further details. The ministry said it had made a strong formal complaint to Cambio 16 and was studying possible legal action.

Reuter, Mexico City

Powell drifts from independent line



Crowd puller: Colin Powell leaves a London bookshop Ashley Antrobus

General Colin Powell, in London yesterday to promote his autobiography, hinted that if he ran for the US presidency next year he would stand as a Republican rather than an independent, our foreign staff write. Running as an indepen-

dent "has enormous obstacles in front of it," he said.

Recent polls showed he would beat President Bill Clinton by 9 percentage points in a presidential election if he were to stand as a Republican candidate.

Manning's decision is a year early, writes Canute James
Trinidadian surprise

Mr Patrick Manning, Trinidad and Tobago's prime minister, has surprised even some of his colleagues by calling a general election for early November, a year before it is constitutionally due. Mr Manning was faced with a reduced majority in parliament caused by the deaths and resignations of government members.

Although it won 21 of the 36 seats in the December 1991 election, the incumbent People's National Movement has found itself with 17 seats and no indication of its support in the splintered opposition.

"The current configuration of parliament reduces the government's flexibility in conducting the nation's business to unacceptable levels," Mr Manning said in announcing the election for November 6.

Recent public opinion polls have suggested that the PNM will be returned, but without a strong challenge from the majority opposition United National Congress led by Mr Basdeo Panday. Traditionally, the PNM has appealed most to Trinidadians of African origin, while the UNC has been favoured by Indo-Trinidadians.

Mr Manning's decision was also prompted by the government's failure four months ago to get Ms Occah Seapaul, to resign as Speaker of parliament following her involvement in a court case. The prime minister's resort to a state of emergency and the house arrest of the Speaker to force her resignation was criticised as excessive.

PNM officials say the party's campaign will be based on the performance of the energy-based economy of the past two years, after several years of stagnation. "Last year we projected growth at 2.5 per cent

and we achieved 4.5 per cent," said Mr Wendell Mottley, the finance minister. "The additional growth was mainly from expansion in oil and gas and in petrochemicals, the latter mainly from higher methanol and ammonia prices."

The growth is continuing with expansion of 1.5 per cent in the first quarter of this year. "This has signaled the end of the economic problems which we had up to 1993," said Mr Mottley.

The current parliament reduces the government's flexibility in conducting business to unacceptable levels'

Mottley. The economy was subject to structural adjustment which saw extensive deregulation, mainly with the removal of exchange controls. The level of dislocation in Trinidad and Tobago has been far less than that of some of its neighbours which have implemented adjustment policies. The exchange rate is being held up by strong inflows of foreign currency from foreign investors and funds repatriated by Trinidadians, Mr Mottley reported. "Manufacturers were sceptical about the economic adjustment programme and said 40,000 jobs would be lost, but this has not happened."

Growth in exports and a fall in imports produced a merchandise surplus of \$652m last year, about twice the surplus of 1993. The current account surplus of \$355m last year was five times that of the previous year. Reschedulings and timely repayments have reduced the foreign debt from \$2.52bn five years ago to \$2.06bn.

"There has been an indication of positive change in the macro-economic indicators, but one wonders if this is sustainable," said Mr Selby Wilson, finance minister in the previous administration. "Much hangs on the continued performance of oil and energy."

Mr Wilson is more concerned about the level of unemployment which has been falling over the last five years, but which is still at 18 per cent. While there has been economic expansion through new investments, most of these have been capital intensive, he explained, with most jobs being in temporary construction.

Unemployment has not been falling fast enough and is a major problem for the government, Mr Mottley conceded. He expects more jobs to be created with a widening of the economic base. Two major resorts are to be built in Tobago by local and foreign companies, while the expansion in petrochemicals is being led by a US\$1bn liquefied natural gas plant being built by Amoco and Cabot LNG of the US, British Gas, and Trinidad's state-owned gas company.

The UNC will attack the government's "poor" record on employment, and on the "destruction" of the social services caused by the structural adjustment policies, said senior officials of the UNC party.

"There are just not enough jobs and there is a growing army of unemployed which threatens the social stability of the country," said one.

Makers press for battery cars re-think

By Christopher Parkes
in Los Angeles

Leading vehicle manufacturers in the US have relaunched a campaign against a controversial Californian government order obliging them to introduce battery-powered cars in the state in 1998. While pressing for a wholesale re-think of the project, the least they hope for in the immediate future is that the debate will be reopened after a public meeting in Los Angeles tomorrow.

A group of independent experts is due to report the results of a technology audit ordered in June in a surprise intervention by state Governor Pete Wilson.

The industry hopes the study, for which the panel visited battery development facilities in Europe, Japan and the US, will support its core argument that the technology is not yet ready to meet the state authorities' own criteria.

These include "conventional vehicle performance, adequate driving range... and... reasonable cost to the consumer".

"We are getting towards crunch time," said one official at the American Automobile Manufacturers' Association, which two weeks ago started trying to rouse public interest in its predicament with a radio advertising campaign.

"The next three or four months are crucial," he said, noting production capacity would need to be installed soon if leading manufacturers were to meet the requirement that 2 per cent of their 1998 model-year sales must be zero-emission vehicles.

The California Air Resources Board, which formulated and will be responsible for administering the mandate, is due to undertake a final review of its plans next January.

Before then, it may be to the industry's advantage if it can draw Mr Wilson back into the debate. Environmental lobbyists were shaken when he ordered the so-called "battery audit" in June after coming under pressure from fellow mid-West states heavily dependent on the motor industry.

US-Cuba council

The US-Cuba Trade and Economic Council points out that it does not act as a lobby group in the US, as stated in the FT's survey on Cuba published on September 26. The council is a non-partisan organisation that exists to disseminate information on US-Cuban commercial relations, and takes no position on the US embargo of Cuba.

Sabotage feared in train crash

An Amtrak passenger train was derailed in the Arizona desert yesterday killing one person and injuring more than 100 in what authorities said could have been sabotage. "We have evidence it was not an accident - it could be terrorist activity," Mr Joe Arpaio, Maricopa county sheriff, said.

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Reuter, Mexico City

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FINANCIAL TIMES COMPANIES & MARKETS

TUESDAY OCTOBER 10 1995

مكتاب الأصل

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IN BRIEF

Commerzbank on UK purchase trail

Commerzbank, the German bank, remains interested in making an investment banking acquisition in London in spite of having drawn back from a bid for Smith New Court, the UK stockbroking firm, this year, said Mr Martin Kohlhausen, chairman of Commerzbank's board of managing directors. Page 18

Sweden to sell 30% stake in Nordbanken
It collapsed in 1992, becoming the biggest casualty of Sweden's banking crisis. Its rivals say it has been "doped" back into profit with taxpayers' money. Now Nordbanken, the country's biggest bank by market share, is for sale again, with the Swedish government offering a 30 per cent stake. Page 18

Metro to merge retail operations
Metro, Germany's largest retailing group, announced that it is to merge Asko and Kaufhof, its retailing subsidiaries, with its own cash-and-carry business. All three will be placed in a new holding company. Page 18

Novell warns of Windows 95 impact
Novell, the second largest personal computer software company, after Microsoft, has issued a profits warning because of the effects of the launch of Windows 95 by its US rival. Page 18

Battered US insurers look overseas
Battered by poor results from the property/casualty insurance business at home and a rash of revelations about misleading sales practices in their life operations, some of the US's biggest insurers have been looking distinctly ragged. Behind the domestic turmoil, though, lies a new push into international markets. Page 19

Telefónica subsidiary shines in S America
Tisa, the international subsidiary of Telefónica, is often referred to as the jewel in the Spanish group's crown. It is the dominant telecoms operator in Argentina, Chile and Peru, has a strong presence in Colombia, Puerto Rico and Venezuela and accounts for nearly 20 per cent of Telefónica's group income. Page 20

Pakistan moves to sell off United Bank
Pakistan yesterday set in motion a programme to partially privatise United Bank, its second largest commercial bank. It is seen as an important step in the state's efforts to rid itself of the remaining troubled public sector banks. Page 21

Lucas forecasts car and truck slowdown
Growth in the car and truck markets is likely to slow over the next two years, according to Lucas Industries, the UK maker of component systems for both the automotive and aerospace industries. Lucas announced pre-tax profits of £30.4m (£47m) in the year to the end of July. Page 22

StatOil considers joining battle for Aran
StatOil, the Norwegian state oil company, said it was contemplating its first takeover of a production and exploration company by joining the bid battle for Irish group Aran Energy. Aran rejected an increased offer from Atlantic Richfield Corp of the US. Page 24

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Chief price changes yesterday

FRANKFURT (cont)				
Fls	144.5	+ 4	Lufthansa	312.8 - 12
Fls	334	+ 7.5	Lufthansa	97.2 - 2.8
Deutsche Börse	143	+ 5	TOKYO (Yen)	27.5
Hertz	270	+ 7	Monte Carlo	256 + 37
Philips	225	- 5	Monte Carlo	425 + 25
Philips	377	- 5	Motor Corp	425 + 25
Fls	144.5	+ 4	Motor Corp	425 + 25
Fls	334	+ 7.5	Argos Trading	2650 - 150
Fls	143	+ 5	Int'l Nippon Phone	841 - 47
Fls	270	+ 7	Dai-ichi Bank	222 - 35
Fls	225	- 5	Westpac	780 - 35
Fls	377	- 5	Westpac	780 - 35
Fls	144.5	+ 4	Westpac	780 - 35
Fls	334	+ 7.5	Westpac	780 - 35
Fls	143	+ 5	Westpac	780 - 35
Fls	270	+ 7	Westpac	780 - 35
Fls	225	- 5	Westpac	780 - 35
Fls	377	- 5	Westpac	780 - 35
Fls	144.5	+ 4	Westpac	780 - 35
Fls	334	+ 7.5	Westpac	780 - 35
Fls	143	+ 5	Westpac	780 - 35
Fls	270	+ 7	Westpac	780 - 35
Fls	225	- 5	Westpac	780 - 35
Fls	377	- 5	Westpac	780 - 35
Fls	144.5	+ 4	Westpac	780 - 35
Fls	334	+ 7.5	Westpac	780 - 35
Fls	143	+ 5	Westpac	780 - 35
Fls	270	+ 7	Westpac	780 - 35
Fls	225	- 5	Westpac	780 - 35
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INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Club Med forecasts sharp rise for year

Mr Serge Trigano, chairman and chief executive of Club Méditerranée, the French-based leisure group, yesterday predicted full-year profits for the current financial year would almost double from FF94m to between FF160m and FF180m (\$31.9m-\$35.9m).

He also confirmed that Union des Assurances de Paris, the French insurance group, would sell all of its 490,000 shares, representing a 4.5 per cent stake. At the same time, two other companies, Rolace and Exor, had expressed a willingness to increase their holdings by 250,000 and 240,000 shares, respectively.

The announcement follows Club Med's announcement last month that it was increasing its stake in Exor, the Luxembourg group, from 2.97 per cent to 13 per cent. It also follows a decision by Rhône-Poulenc, the French chemicals group, to sell options in Société Générale, the banking group. The bank confirmed that Rhône-Poulenc would remain represented on its board, and had no intention of selling its shares in Rhône-Poulenc.

Andrew Jack, Paris

Kone hit by disappointing result

Shares in Kone, the Finnish lifts group, fell 6.5 per cent yesterday after a worse-than-expected interim performance hit by competition and falling prices. Profits after financial items dropped 19 per cent from FM167m to FM136m (\$31.6m) in the first eight months, despite firmer sales and good order growth.

The market had expected profits of about FM150m and marked the company's B shares down FM30 to FM435, a year low.

Kone warned full-year profits would be less than the FM400m achieved last year. It said its efforts to cut its material, component and installation costs would not offset falling prices.

The group said underlying sales and orders rose around 40 per cent following last year's \$280m purchase of the US lifts group Montgomery. However, a 12 per cent rise in the Finnish markka meant sales rose only 21.5 per cent from FM4.75bn to FM5.77bn. Operating profits fell from FM255m to FM188m, lowering the company's operating margin from 4.3 per cent to 3.3 per cent.

Christopher Brown-Humes, Stockholm

Good domestic demand for KPN

The Dutch government's sale of a second tranche of shares in KPN, the state-controlled postal and telecoms company, opened yesterday amid signs that demand from domestic institutions was stronger than from international investors.

"It is fair to say that the feed-back from Dutch institutions is slightly more positive than from foreigners," said one banker involved in the KPN transaction.

A similar pattern of demand was revealed when an equity offering from Telefónica, the Spanish telecoms company, closed last week. The foreign institutional tranche was 1.7 times subscribed, compared with the domestic institutional tranche which was three times subscribed. Nevertheless, the overall positive response from the pre-marketing phase means that the Dutch government was confident it would be able to sell at least 100m shares in KPN, said ABN-Amro, the Dutch bank which is arranging the offering. At yesterday's closing share price of Fl35.60, the government would raise Fl 5.56bn (\$3.5bn) from the sale of 100m shares, or 21.8 per cent of KPN's share capital.

Antonia Sharpe

Further Repsol sale possible

The Spanish government could sell off a further tranche of its 21 per cent holding in the oil and gas company Repsol next year, according to a senior government official.

"Another sale is possible next year," said Mr Hector Lopez, chief financial officer of Sociedad Estatal de Participaciones Industriales (Sepi) which holds the government's stake in Repsol, which at current share prices is worth around \$2bn.

Antonia Sharpe

Metro to integrate Asko and Kaufhof

By Judy Dempsey in Berlin

Metro, Germany's largest retailing group, is to merge Asko and Kaufhof, its retailing subsidiaries, with its own cash-and-carry business. All three will be placed in a new holding company, Metro announced yesterday.

The core of the management of Metro Handels Holding, the new company, will come from Kaufhof. Asko shareholders will be offered shares in Metro Handels Holding. It remains unclear how Kaufhof's shareholders will be compensated.

The merger is seen by analysts as an effort to cut costs, continue restructuring and tighten up management. "Metro wants to internally restructure the company," said Mr Cy Schlueter, manager of CAI, consultants specialising in retailing. "This will enable it to cut costs and exert tighter control over the group's entire operations," he added.

Metro has not yet released figures for 1994 sales, but said analysts expected them to remain unchanged at DM61bn (\$56.7bn). However, the company yesterday would not confirm this nor comment on the reasons for the merger. Besides its cash-and-carry operations, Metro's other activities include Saturn, the music and video entertainment division, and Vohs, the computer and electronic retailer.

Asko, a supermarket and cash-and-carry chain which has had a co-operative structure and close links with the trade unions, was taken over by Metro in 1990. "But the integration of Asko proved more difficult than at first thought," said Mr Schlueter.

Asko ran up losses of DM462m in 1992 and returned to the black the following year. Last year, the group reported net profits of DM358m on sales of DM6.7bn. Kaufhof, which has 1,438 outlets throughout Germany, last year generated sales of DM26.3m and net profits of DM137.3m. The Metro group employs 150,000.

The merger coincides with a sustained period of sluggish consumer demand caused by the high burden of taxation. Retail sales fell 2 per cent for the first half of 1995 compared with the same period in 1994.

Commerzbank reaffirms interest in UK buy

By John Gapper in Washington

Commerzbank, the German bank, remains interested in making an investment banking acquisition in London, despite having drawn back from a bid for Smith New Court, the UK stockbroking firm, earlier this year.

Mr Martin Kohlhausen, managing board chairman, told a press conference in Washington there were still "strong and extremely well-managed houses" left in London.

He said Commerzbank, which withdrew from an effort to buy Smith New Court, leaving the field clear to UK merchant banks.

investment bank Merrill Lynch was considering investment banking acquisitions in the US and Europe.

Commerzbank was constantly taking part in "conversations" with potential targets, including smaller US investment banks which considered themselves "too small to survive on their own, but too big to die".

Mr Kohlhausen said there was no need for Commerzbank to panic in the belief that it was falling behind other banks, including its German rivals Deutsche Bank and Dresdner Bank, which have both acquired UK merchant banks.

Deutsche bought Morgan Grenfell for £950m (\$1.5bn) almost six years ago and last July announced it was fully integrating the business with its investment banking operations. In August, Dresdner completed its acquisition of Kleinwort Benson for almost £1bn.

"There might be others ahead of us in investment banking, but I hardly envy them having to swallow and digest and integrate those operations. Our performance signals that we are not a bad bank," said Mr Kohlhausen.

Commerzbank was still interested in buying a stake in Creditanstalt Bankverein, the state-controlled Austrian bank which is being sold with the help of J.P. Morgan, the US investment bank, he said. The deadline for bids was yesterday.

However, he criticised a Creditanstalt stake could be sold at a 30 per cent premium to the current market price.

Commerzbank is part of a consortium that put in a lower offer several months ago.

"It does not appear to me to be a very good judgment by J.P. Morgan. I wish them luck, but I would not go along if the sale was at that price," said Mr Kohlhausen, who said the consortium's bid remained the same.

Last month, Commerzbank continued the trend among German corporations towards raising funds internationally, with plans to issue up to DM1bn (\$700m) of capital through a new share sale to German and international investors.

Mr Kohlhausen said the aim of Commerzbank's global share offering was to raise its capital ratios. The issue, due to be launched later this month, would provide the means to make an investment banking acquisition.

Slimmer Nordbanken in shape for sell-off**State hopes to raise SKr6bn or more from the sale of its 30% stake in the restructured Swedish bank**

It collapsed in 1992, becoming the biggest casualty of Sweden's banking crisis. Its rivals say it has been "doped" back into profit with taxpayers' money. Now Nordbanken, the country's biggest bank by market share, is up for sale again, seeking to persuade international investors it has fully recovered from the traumas of the past few years.

This week, Nordbanken executives are trekking round the world's financial centres touting the merits of the government's sale of a 30 per cent stake in the bank.

The state hopes to raise about SKr6bn (\$554m). The privatised bank will be the first big pay-back since the government pledged almost Skr50bn to keep the banking system afloat when it was swamped in 1991 and 1992 by a flood of credit losses. A general state commitment to support the banking system is still in place.

Some SKr65bn was shelled out in cash, the majority to rescue and restructure Nordbanken and Gotobank, the other principal casualty, which was merged with Nordbanken at the end of 1993.

Nordbanken, 100 per cent state-owned, has undergone big changes since it crashed. The first crucial stage in its reconstruction was the laundering of its loan portfolio: loans worth more than SKr60bn, mostly linked to real estate, were hived off into a separate state-run "bad bank" called Securum. A similar operation was carried out at Gotobank before it was taken over by Nordbanken.

Nordbanken, 100 per cent state-owned, has undergone big changes since it crashed. The first crucial stage in its reconstruction was the laundering of its loan portfolio: loans worth more than SKr60bn, mostly linked to real estate, were hived off into a separate state-run "bad bank" called Securum. A similar operation was carried out at Gotobank before it was taken over by Nordbanken.

More than anything else, it has bounced back to strong profitability.

From a low point of a record-breaking SKr16.5bn loss in 1992, Nordbanken returned an operating profit last year of SKr4.5bn - more than any of its three main rivals. In the first half of this year, it achieved a return on equity of 26 per cent, far ahead of Svenska Handelsbanken, the next most profitable.

Nordbanken's miraculous recovery prompted Mr Arne Mortenson, Handelsbanken's chief executive, to remark that the bank's results were due to "doping". Mr Hans Dalborg, his counterpart at Nordbanken, has a measured reply. "We are humble enough to realise that without the solution of Securum, Nordbanken would not exist any more. But you do not create a good bank just by handing off bad loans to another company."

The Securum operation certainly enabled Nordbanken to trim its loan losses to a manageable level, allowing profits to flow through once more to the bottom line. In 1992, Nordbanken's loan losses hit SKr19.3bn, or more than 7 per cent of the bank's loan portfolio. In the first half of this year, loan losses were down to SKr615m, or 0.5 per cent of lending.

However, as Mr Dalborg suggests, this has not been the whole story. Despite the absorption of Gota, operating costs before loan losses last year at SKr7.1bn were slightly less than the 1992 operating costs of SKr7.3bn.

At the same time, operating income has risen over the past year, despite a depressed demand for borrowing and a sharp narrowing of the previously wide spread Swedish banks enjoyed between lending and deposit interest rates. The progress is at least in part attributable to self-help: a rationalisation programme has made today's Nordbanken much leaner. It employs 11,500 employed by Nordbanken and Gota in 1990.

Still, there are worries that once the big benefits of falling loan losses are over, the opportunities to sustain the present levels of profitability will diminish, especially given the still sluggish state of the domestic Swedish economy and increasing competition in the banking market.

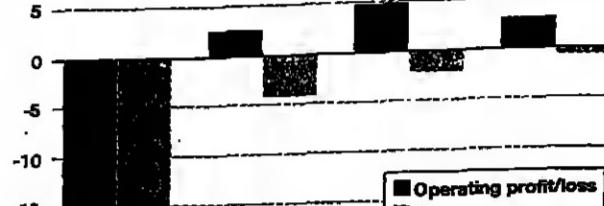
Mr Dalborg has defined a strategy for the refurbished Nordbanken that is firmly fixed in the domestic market. All Nordbanken's overseas offices have been closed. The focus is on the home retail banking sector, small and medium-sized corporate banking and on a select group of big corporations. Nordbanken has about a 20 per cent overall share of the banking market.

"We don't need more customers," Mr Dalborg says. "We have access to 3.5m Swedish clients. What we need to do is do more business with the clients we have."

This does not necessarily mean a hard sell. With all too painful memories of the past, Mr Dalborg stresses the bank now has a rigorous credit con-

Nordbanken

SKr bn



Government rescue
Bank merged, 1994

Nordbanken

2.0bn

24.0bn

14.0bn

4.0bn

20.0bn

64.0bn

Total
Source: Nordbanken prospectus, Bank Support Authority

troil regime, adding "you will not see an aggressive loan expansion policy by this bank". Instead, he aims to build up Nordbanken's role in areas such as mortgage lending, corporate business and mutual fund savings schemes where it is either lagging other areas in market share or sees overall growth opportunities.

If Mr Dalborg can keep the bank on track, there will be plenty more money for the state to come - and the government should reach its overall target of winning back half of the SKr6bn it spent on bailing out the banking system.

Hugh Carnegie and Christopher Brown-Humes

This announcement appears as a matter of record only.

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INTERNATIONAL COMPANIES AND FINANCE

Telefónica's overseas arm flexes its muscle

Tisa has built a formidable Latin American empire, writes Tom Burns



Company	Country	Revenue (US\$ m)	Net Income/ (loss) (US\$ m)	Stake (%)
Tisa	Argentina	2,151	392	22.0
CTC	Chile	1,023	249	43.6
Tel del Peru	Peru	688	29	31.5
CANTV	Venezuela	1,164	(44)	6.4
TLD	Puerto Rico	67	(1)	78.0
Codelco	Colombia	18	(7)	91.0
Publises	Chile	85	9	51.0

Source: Telefónica/Marta Lynch

Tisa, the international subsidiary of Spain's Telefónica, is often referred to as the jewel in the Spanish group's crown. It is the dominant operator in Argentina, Chile and Peru and has a strong presence in Colombia, Puerto Rico and Venezuela.

And with pre-tax profits last year of \$189.8m, Tisa accounts for nearly 20 per cent of Telefónica's group income.

The Latin American companies that come under Tisa's umbrella are, at least on paper, well-placed against the competition. They belong to an integrated group that is determined to extract the maximum synergies from its Latin American assets. They will also have access to new markets, greater traffic and front-edge services thanks to the global telecoms alliances established by Telcel.

Tisa entered Latin America snapping up pieces of territory as the opportunities arose, much in the manner of the *conquistadores* 500 years ago. Gradually an imperial view emerged as the different components were stitched together. Tisa first moved into the area in 1990 when it bought, for a bargain price, a stake in Chile's CTC from Mr Alan Bond, the troubled Australian financier. The subsidiary now owns, controls or manages 14 companies in Latin America ranging from basic telephony, with more than 7m lines installed, to directories and cable-TV and multimedia.

The initial idea was to take advantage of forced disposals, as was the case of CTC, or of privatisation programmes, as in Argentina's Tasa and Peru's CTP, that offered the possibility of modernising networks that, once restructured, had a significant growth potential.

A couple of years ago, he recalls, global companies

guage and Hispanic heritage, a brass tacks approach and a rapid decision-making process – Tisa has only 40 analysts and executives in its head office – gave Telefónica an edge over other international telecoms operators.

The imperial view started to take shape early last year when Tisa paid \$2bn for 31.5 per cent of CTP and a 20-year management contract. The Spanish operator then began to talk seriously about synergies and, more importantly, about global alliances.

Mr Ignacio Santillana, Tisa's managing director, claims Tisa is now in a position to take joint action in network planning and design and develop common management practices and the joint marketing of new services.

At a basic level the corporation can, in theory, dictate its own terms to suppliers and, by combining purchase orders in Spain, Argentina, Chile and Peru, reduce its unit costs per line.

Similarly, Tisa is expecting substantial savings from bulk buying of paper for the yellow pages of the telephone directory companies that it controls.

More recently it has begun to look at co-ordinating its international and cellular traffic. Mr Santillana believes that over the next five years this initiative will enable Tisa to improve its results "by an important and substantial amount".

The Tisa empire can also flex its muscles when it comes to forging agreements with international carriers. The ultimate ambition of Mr Santillana is to integrate Tisa's Latin American franchises with the developed markets of Europe and the US.

A couple of years ago, he recalls, global companies

played hard to get when he went to visit them. Now they knock on his door saying: "Do you think there are synergies between you and us? How can we do something together in cellular? How do you see multi-media in Latin America?" What CTC, Tasa, CTP and the other Tisa assets in Latin America stand to gain from such such approaches is an international dimension. Under the terms of the Spanish corporation's strategy they, like the parent Telefónica, will be part of what the UK's James Capel, in a recent report on Spain's telecoms, termed a "seamless global network".

Telefónica took a key step in its internationalisation strategy this year when it bought a 25 per cent stake in Unisource, a European consortium that groups Sweden's Telia, PTT Telecom Nederland and the Swiss PTT.

Subsequently, Unisource has crafted an agreement with AT&T of the US to form UniWorld, a venture that represents, according to James Capel, "probably the most effective combination of operators around the world".

Tisa is certainly the most appealing feature of the Spanish group as far as its Unisource/UniWorld partners are concerned. The Latin American empire is a huge and rapidly expanding market, and it is this potential that constitutes Telefónica's principal contribution to the global consortium.

Tisa's companies will be handling the corporate traffic provided by Unisource/UniWorld and deriving maximum benefit, particularly in the development of value-added services, from links with global telecoms players.

● This is the sixth in a series. Previous articles appeared on September 8, 13, 15, 20 and 22.

Source: Telefónica/Marta Lynch

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NOTICE IS HEREBY GIVEN that for the Annual General Meeting of the above mentioned Company will be held at St Peter Port, Guernsey, St Peter Port, St Peter Port, Guernsey at 11.30 am on 26 November 1995.

Annual Reports for Five Arrow International Resources Ltd to report at the end of June 1995 will be available to shareholders from 10.00 am until 12.00 noon on 26 November 1995.

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INTERNATIONAL COMPANIES AND FINANCE

Telkom moves to increase domestic interest in IPOBy Manuela Saragoza
in Jakarta

430m m buy
Telkom, the state-owned Indonesian domestic telecommunications group to be partially listed in a simultaneous public offering in London, New York and Indonesia within the next month is offering the Indonesian public one bonus share for every 10 Telkom shares they buy.

The offer is part of a campaign to generate public domestic interest in Telkom's initial public offering — the domestic investor base has traditionally been very small. Analysts said this hampered growth of the Jakarta stock

exchange which has ambitions to be the largest in south-east Asia.

The campaign to encourage Indonesians to take part in Telkom's IPO involves a number of measures to make it easier to buy shares. Besides the bonus share offer, which is redeemable after one year, a series of advertisements have been shown on television explaining how Indonesians can buy the shares.

Bank Dagang Nasional Indonesia, one of Indonesia's leading commercial listed banks, and Citibank of the US, are among a number of banks appointed to manage collection points at eight cities through-

out the country where Indonesians can apply for shares.

This is the first time the government has pursued a wide domestic marketing campaign in listing a state-owned company.

Last year, Indosat, the satellite telecommunications company which kicked off Indonesia's privatisation programme in earnest, raised over US\$1bn in a global IPO but this did not include a campaign to encourage domestic investment.

Telkom started its domestic road show yesterday in Jakarta. It will stop in Surabaya, Bandung, Semarang and Medan before embarking on a global road show.

Gold Fields falls 14% in quarterBy Roger Matthews
in Johannesburg

Alcoa
Gold Fields of South Africa yesterday reported a 14 per cent fall in after-tax profits at its four gold mining companies during the quarter to the end of September, to R265.2m (\$72m), from R307m in the previous quarter. Capital expenditure amounted to R208.87m, against R307m in the three months to end-June.

Gold Fields said there had

been no labour disruptions during the quarter, in spite of lengthy wage negotiations, and production had benefited from fewer public holidays. The company said it had discerned "a slight improvement in employee attitudes, although a lot of work remains to be done in this area".

It was encouraged by an increase in the tonnage milled to 3.25m tons, from 3.07m tons, but the yield had declined to 7.8 grams per ton, from 8.1

grams per ton. This left gold production marginally higher at 25,247 kg, from 24,938 kg.

Gold revenue during the third quarter increased to R1.14bn, from R1.12bn, with the price received averaging R45.104 per kg. Working costs were higher, largely due to wage settlements from July 1, and totalled R882.4m, compared with R823.4m. This resulted in unit working costs rising to R34.954 per kg,

against R33.019.

Mr Andrew Vickerman (right) and Mr Ross Garnant, general manager and chairman respectively of Lihir Gold, were on hand at the Australian Stock Exchange yesterday when the company's shares were listed for the first time, writes Nikki Tait in Sydney.

The first shares changed hands at A\$1.87, against the institutional issue price of A\$1.57, but the price quickly settled into the A\$1.64-A\$1.68 trading range.

The exchange extended trading hours for the entire market, until 7pm local time yesterday, to give Asian investors a better opportunity to trade Lihir shares. A regular extension of trading hours is one of the ideas under consideration by the ASX as it attempts to carve out a bigger role in the Asia-Pacific region.

Lihir, which is planning to develop a large new gold mine in Papua New Guinea, raised US\$450m through the sale of about half of the equity to a mixture of Papua New Guinean, Australian, and international investors.

Pakistan tests sell-off waters to cure debt disease

in Croatia
Pakistan yesterday set in motion a programme to privatise a public sector bank, the second largest commercial bank. It is seen as an important step in the state's efforts to rid itself of the remaining troubled public sector banks.

The government is seeking "expressions of interest" by October 22 for the sale of 26 per cent of UBL shares and management transfer to a private buyer.

The move could be followed by offers for Habib Bank (HBL), Pakistan's largest bank, next year, which would only leave National Bank of Pakistan (NBP) under government control, senior officials say.

Many Pakistanis were appalled when the interim government of Mr Moeen Qureshi revealed two years ago that the country's public sector banks had racked up Rs80bn (\$2.3bn) in bad debts

during the past two decades. UBL and HBL, with combined assets of Rs150bn were together faced with almost Rs55bn in classified debt, a term used to describe bad debts.

The Qureshi government revealed that most of those loans were given to

tine over a slow pace of recovery with more than Rs70bn of the Rs80bn still outstanding.

Some banking officials hope privatisation will give much needed impetus to United and Habib to improve their efficiency and to respond to client

privatisations the nationalised institutions (public sector banks)."

Mr Yaqoob, has a reputation for being a tough financial disciplinarian, who has led the campaign to improve the banking sector's performance.

But some bankers are sceptical about the government's ability to find buyers for UBL and HBL, largely over concerns about overstuffed branches, union resistance to retrenchments, and the history of bad debts. Mr Naseer Ahmed, president of Cresbank, one of the newest private investment banks, says: "I hardly see a buyer in Pakistan. They are too large and the quality of their assets is not known."

Some other bankers say it is not clear if the new buyers will be asked to take on the bad debts or if the government will settle that issue before management is transferred to the private sector.

Farhan Bokhari looks at proposals to sell a stake in UBL, seen as a precursor for other bank privatisations

politically influential clients after banks were nationalised in the early 1970s under the government of Mr Zulfikar Ali Bhutto. Many of those clients never repaid those loans or made interest payments.

In a country with a legal system notorious for corruption and with cases sometimes taking years to progress through the courts, concerns still con-

cerns. Two of the smaller public sector banks, Muslim Commercial Bank and Allied Bank, have shown steady growth in profits and deposits since their privatisations four years ago.

Mr Mohammad Yaqoob, governor of the State Bank of Pakistan, the central bank, said: "We need to create a system that stops the disease, and that system basically can only be created if you

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Templeton Convertible Fund - Class A	USD	0.015	5	13.10.1995
Templeton Global Balanced Fund - Class A	USD	0.05	6	13.10.1995
Templeton Global Income Fund - Class A	USD	0.18	6	13.10.1995
Templeton Deutsche Mark Global Bond Fund - Class A	DEM	0.155	6	13.10.1995
Templeton Emerging Markets Fixed Income Fund - Class A	USD	0.25	6	13.10.1995

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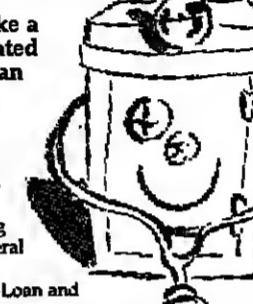
The Shares are traded ex-dividend as from October 6, 1995.
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October 1995

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Indeco Milling Limited is located in Ndola on the Copperbelt at the hub of the mining and industrial activity. The city is serviced by a network of national and international road, rail and air links.

The company produces maize meal and stock feeds. The company's facilities comprise the Ndola Mill, Stockfeed Plant, Warehouses and Offices which are all located on the same site and have direct access to the lucrative Copperbelt market. The Ndola Mill forms the major facility of Indeco Milling Limited.

Supply, Production and Markets
Indeco Milling produces two major brands of maize meal, breakfast and roller and also produces stock feeds. The optimal production levels of 78,000 tonnes of maize meal and 28,000 tonnes of stock feeds per annum could yield revenues in excess of US\$20 million per annum. Both maize meal and stockfeed products are of high quality and excellent reputation in the market. There is also scope for export to neighbouring countries. It also has a ready and demanding market for the by-products of maize, namely maize sumps, brewers grit and stockfeed. The key raw material, maize grain is locally grown in Muchinga farming block not far away from the city of Ndola where the mill is located. Wheat flour can also be produced by the maize mill thereby providing a wider product range than its competitors.

The Ndola Mill
The New Ndola Mill was rehabilitated in 1994 under the aegis and assistance of the KFW of Germany or a soft loan currently estimated to stand at US\$5 million. The rehabilitated New Ndola Mill is radically superior to almost all other mills in the country. Its technological advantages include:

- intensive cleaning of maize grain to ensure moisture penetration, thorough maize grading by the combinator, airtronic rollerstands with milling

precision, concentrators for product quality enhancement, installed weight and flow balancers to ensure feeding of the products to various machines, pneumatics conveying systems and in addition, the mill can easily be adjusted to produce wheat flour.

Key strengths of the Ndola Mill

- Maize intake rated capacity of 70 tonnes per hour.
- Storage silos capacity of 2400 metric tonnes.
- Intermediate six storage concrete bins of 480 metric tonnes capacity.
- Screening room with a rated capacity of 14 tonnes per hour.
- Mill section with a rated capacity of 11 tonnes per hour.

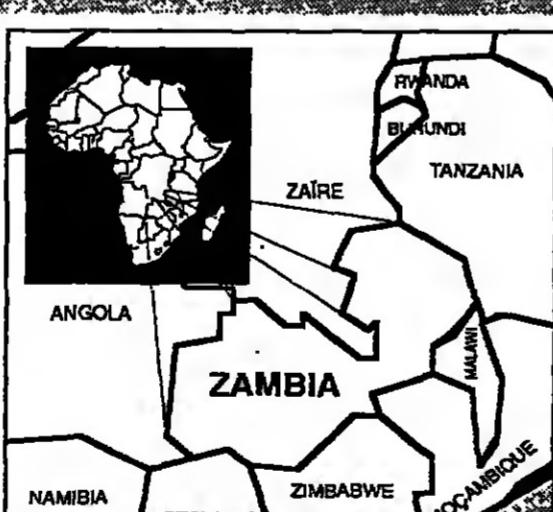
The extraction rate is more than 87% without sacrificing the quality of products, compares favourably with both regional and international standards.

The Stock Feed Plant
The Stockfeed plant has a rated capacity of 4 tonnes per hour. With market liberalisation the company is witnessing an increased demand for by-products of maize milling. The company has domestic and export orders for brewers grit and local demand for stockfeed.

Workforce
Indeco Milling currently employs approximately 150 people.

Offers
Offers are invited for the purchase of Indeco Milling Limited.

For further information about bid submission contact:
The Chief Executive
ZAMBIA PRIVATISATION AGENCY
P O Box 30819, Lusaka, Zambia
Telephone: 260-1-227851, 221866, 227791. Telefax: 260-1-225270
Bidders will be required to sign a confidentiality agreement and pay US\$100 or K80,000 for receipt of a tender package.



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The Zambia Privatisation Agency (ZPA) is an autonomous Agency of the Government of Zambia. The function of the Agency is to plan, implement, and control the privatisation of State owned enterprises in Zambia.

Expectations cut after warning of slowing automotive growth

Lucas Inds recovers to £30m

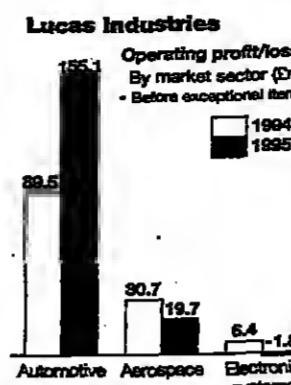
By Paul Cheeswright,
Midlands Correspondent

Growth in the Western car and truck markets is likely to slow over the next two years, according to Lucas Industries, the maker of component systems for both the automotive and aerospace industries.

The warning came as the group yesterday reported a return to annual pre-tax profits and signalled its intention to raise productivity in its troubled aerospace division, where it announced a change of head.

A slowdown in the vehicle market would reduce profit expectations among UK engineering groups which have achieved higher earnings in the past two years on the back of strong vehicle demand in continental Europe and the US.

"Last year our continuing businesses achieved substantial organic growth. There are indications of flattening demand in the automotive sector in 1995-96 so we anticipate a slower rate of growth in the next two years," said Mr George Simpson, chief executive.



UK car production is expected to reach record levels this year but Lucas noted that it and other component groups had recently faced reduced manufacturing schedules from vehicle makers.

Automotive components made up 75 per cent of Lucas' sales in 1994-95, when the group made pre-tax profits of £30.4m, compared with a loss the previous year of £129.7m.

But its trading figures were overshadowed by provisions



George Simpson: anticipating slower growth in next two years

programme of improved management practice at Lucas Western, which reported a trading loss of £21m in the last financial year.

The US difficulties, and a change in the balance of the group's activities towards automotive operations, are leading Lucas to question the future of its aerospace division. "We will have to look and see if we can support all the activities we are in," said Mr Simpson.

Demand for better black cabs rises

By James Harding

Shares in Tambang Timah, the world's biggest tin mining company which is to be floated in London and Jakarta, have been priced at \$12.73 each, writes Kenneth Gooding.

This was at the top end of the proposed range and values the state-owned Indonesian group at \$636m. The issue was four times over-subscribed.

Some 50m shares, representing 10 per cent of the capital, were offered to Indonesian investors and 160m shares to international investors.

Tambang Timah worth \$636m

Manganese Bronze Holdings, the London taxi cab manufacturer, more than doubled business in three years profits thanks to growing demand for up-to-date vehicles with air-conditioning, passenger intercom and wheelchair access.

In the year to July 31, pre-tax profits improved to £4.2m (£6.5m), against £2.04m, after exceptional charges of £736,000 (£864,000), on turnover ahead 25 per cent to £126.3m.

Mr Jamie Borwick, chief executive, said profits should continue to grow, even if not at the same pace: "Wheelchair accessible taxis will become mandatory in London within five years which underpins the prospects for this business."

The buoyant UK taxi market drove up taxi division sales, which now makes 55 vehicles per week up 32 per cent.

The components division improved sales by 28 per cent, reflecting higher raw material prices and growth in the stamping, precision castings and metal powders business.

Earlier this year, a planned flotation was delayed. The group was then advised by Barings, the merchant bank, that collapsed in February.

MR Data to sell software business

By Paul Taylor

MR Data Management, the data transcription and document image processing group, has put its MR-Memex database software business up for sale. Mr Colin Haylock, who took over as chairman in June after a profits warning, said it had decided that the software business would "not be a core element of our future strategy".

MR Data is in the middle of a restructuring instituted by Mr Haylock, who replaced Mr Michael Elliott as chief executive. Mr Elliott left in April after a boardroom split.

Mr Haylock said Memex, which is based in East Kilbride, and has customers including the US Defense Department

Carclo \$7m acquisition

Carclo Engineering has acquired the US card clothing division of Ashworth Brothers for \$6.2m. At June 30, operating assets being acquired had a net book value of about \$6.3m and in 1994 achieved sales of \$11.8m for operating profits of \$1.1m. Carclo's existing card clothing side made operating profits of £2.3m in the year to March 31 1995.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Clover	8 mths to June 30	27.9 (23)	0.026 (0.35)	0.02 (0.34)	10 Nov 14	0.13	-	0.3
Fire Deco	8 mths to June 30	0.4144 (0.4144)	0.005 (0.005)	0.007 (0.007)	22 (7.3)	n/a	-	4.7
Firestar ♦	5 mths to June 30	2.62 (2.67)	0.113 (0.095)	0.07 (0.048)	-	-	-	-
Forward Technology	6 mths to June 30	24.8 (21.7)	0.812 (0.231)	1.9 (0.01)	1 Nov 30	0.5	-	2
Just	5 mths to June 30 *	0.779 (0.8)	0.101 (0.001)	0.11 (-)	-	-	-	-
Lucas Inds	Yr to July 31	2.79 (2.488)	30.44 (130.4)	3.81 (22.3)	4.9 Jan 18	4.9	7	7
Manganese Bronze	Yr to June 30	89.3 (74.8)	4.24 (2.044)	15.53 (7.58)	3 Dec 12	2.5	5	5
MR Data Management	Yr to June 30	41.4 (40.5)	1.316 (0.539)	1.6 (0.8)	1.5 Nov 17	2.076	3.376	5.308
Tay House	Yr to June 30	117.7 (85.1)	7.05 (6.23)	15.9 (15.5)	5.45 Nov 25	5.1	7	6.45
Versys Int'l	5 mths to July 31 *	56 (47.8)	0.268 (0.238)	0.12 (0.051)	n/a	n/a	n/a	n/a
Wetherby (D)	Yr to July 31	68.5 (46.6)	9.71 (5.49)	24.5 (18.2)	5.25 Dec 15	4.4	8	6.6

Investment Trusts NAV (p) Available Dividends (p) EPS (p) Current payment (p) Date of payment Corresponding dividend Total for year Total last year

Merlin Castle Pacific - 6 mths to Aug 31 149.5 (159.4) 0.33 (0.046) 0.81 (0.12) - - 0.13

Orion所示淨資本。收益所示基本。數字括號內為對應期。♦After exceptional credit. ♪After exceptional charge. ♫A/m stock. ♬Comparative pro forma.

	Price	Dividends	EPS	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Delekraal Gold Mining Company Limited	10.25	0.00	0.00	-	-	-	-	-
Doornfontein Gold Mining Company Limited	10.25	0.00	0.00	-	-	-	-	-
Driefontein Consolidated Limited	10.25	0.00	0.00	-	-	-	-	-
Gold Fields Coal Limited	10.25	0.00	0.00	-	-	-	-	-
Kloof Gold Mining Company Limited	10.25	0.00	0.00	-	-	-	-	-
Northam Platinum Limited	10.25	0.00	0.00	-	-	-	-	-
Delekraal Gold Mining Company Limited	10.25	0.00	0.00	-	-	-	-	-
Doornfontein Gold Mining Company Limited	10.25	0.00	0.00	-	-	-	-	-
Driefontein Consolidated Limited	10.25	0.00	0.00	-	-	-	-	-
Gold Fields Coal Limited	10.25	0.00	0.00	-	-	-	-	-
Kloof Gold Mining Company Limited	10.25	0.00	0.00	-	-	-	-	-
Northam Platinum Limited	10.25	0.00	0.00	-	-	-	-	-
Reports of the undermentioned companies for the quarter ended 30 September 1995 were released to the relevant Stock Exchanges yesterday and have been published in the press in South Africa today:								
Delekraal Gold Mining Company Limited	10.25	0.00	0.00	-	-	-	-	-

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Mrs Brian Peefers

and her family welcome all who
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Aran talks to Statoil as Arco raises bid

By Tim Burt

Statoil, the Norwegian state oil company, yesterday said it was contemplating its first takeover of a production and exploration company by joining the bid for Aran Energy. Dublin-based Aran, which rejected an increased offer from Atlantic Richfield Corp of the US yesterday, has told that Statoil was considering a "full cash offer" as part of its strategy to expand internationally.

The Norwegian group last month became the largest petrol retailer in Ireland by acquiring 257 Jet stations from Conoco and said it was keen to grow further.

Aran said the bid was being "discussed constructively" but added that Statoil was not regarded as a white knight.

Talks between the companies have intensified since they announced a joint venture 10 days ago to exploit its Connemara field off the west coast of Ireland.

Under the agreement, Statoil will receive a 4.7 per cent interest in the Connemara reserves, calculated to be 36m barrels with an estimated worth of \$360m. In return, Statoil has agreed to fund the \$18.6m programme to appraise

Mr Michael Whelan, Aran chairman, urged shareholders to reject the Arco offer, saying: "It would be completely inappropriate to accept this bid. It is all stick and no carrot."

Fisons, the drugs company, is stepping up its efforts to discredit the strategy of its predator, Rhône-Poulenc Rorer, the Franco-US pharmaceuticals group which last week raised its hostile bid from £1.7bn to £1.8bn (£2.38bn).

Fisons is understood to be preparing a rebuttal document against RPR's final offer. It is expected to point out what it believes are inaccuracies in RPR's statement.

The London Stock Exchange and the Takeover Panel are investigating these trades.

not made an unattributed announcement on the Stock Exchange's news service on Friday. The statement was made by Hoare Govett, the broker to RPR, but printed ambiguously under Fisons' name.

Fisons was concerned that shareholders might assume that it made the statement, concerning trades in about 3 per cent of Fisons stock which apparently never took place on Thursday.

The London Stock Exchange and the Takeover Panel are investigating these trades.

LAW

Customs charges reserved to EU

EU member states are not entitled unilaterally to impose charges having equivalent effect to customs duties, even when the community legislation which had been the basis for finding that the charges were unlawful did not apply to customs formalities in respect of goods from non-EU countries, in particular European Free Trade Association countries.

The case was brought by the administrators of Aprilie, an Italian company which had been acting as a customs agent at Milan airport.

Aprilie had been made to pay certain charges to the Italian administration, which were later declared unlawful under European law. In response, the Italian administration amended its rules, but the amending measures did not apply to situations existing before they came into force. The fees paid by Aprilie fell into that category.

After Aprilie went into liquidation the administrators brought legal proceedings for repayment of the charges.

The Italian administration argued the claim was unfounded as the imports comprised in part goods from non-EU countries, in particular member countries of the European Free Trade Association with the result that community law did not apply to the claim as a whole. The matter was referred to the ECJ for a preliminary ruling.

The Italian government first argued that the matters raised on the preliminary reference were inadmissible. The court dismissed that claim. It said it was common ground between the parties that the imports at issue did not comprise exclusively goods from other EU countries. The fact that the national court did not set out an exhaustive account of the factual and legal context in which the preliminary questions were raised, did not make the matter referred to the ECJ inadmissible as it had been established that at least some of the relevant goods which were subject to the customs charges did originate in non-EU countries.

Turning to agreements between the EU and third countries, the court said the aim of such agreements was to eliminate obstacles to trade. They would be deprived of their effectiveness if the prohibition on customs charges contained in the third-country agreements had a more restricted effect than the same prohibition set out in the Rome Treaty.

C-125/94, Aprilie v Administratore della Finanza dello Stato, ECJ Sch, October 5 1995.

BRICK COURT CHAMBERS BRUSSELS

COMPANY NEWS: UK

Better outlook despite poor start

Jenny Luesby on the textiles and clothing sector hit by weak UK demand

Results season

Round-up

The outlook for textile and clothing manufacturers improved in the first half, as raw material prices began falling, but results were depressed by the time-lag on earlier price rises and weak demand in the UK.

The strongest performances came from companies with subsidiary engineering or electrical goods businesses, or with most of their sales outside the UK.

Among these was Dewhurst, which reported a 43 per cent increase in pre-tax profits, to £10.1m.

In Britain, home furnishings continued to be depressed while clothing was hit by the late and extremely hot summer. This saw shoppers delay their summer buying until the discount season, and then, when it got really hot, stay away altogether.

For some producers, the effect of both trends was offset through disposals. Lamont of Northern Ireland gained £21.5m on the sale of its jointly-owned Connswater Shopping Centre, which compensated for a fall of one-third in its operating profits, to £4.2m.

Others, such as Courtaulds Textiles, continued to concentrate on the disposal of loss-making businesses, taking

charges in the process. Courtaulds achieved a 17 per cent increase in underlying profit, but a £2.9m charge on disposals saw its pre-tax profit fall by one-third, to £6.4m.

One area of particular strength for Courtaulds, also highlighted by Sherwood, was its European lace business.

Other groups also made the most of niche businesses, in car seat belts, badges and even uniforms.

Among these was Dewhurst, which reported a 43 per cent increase in pre-tax profits, to £10.1m.

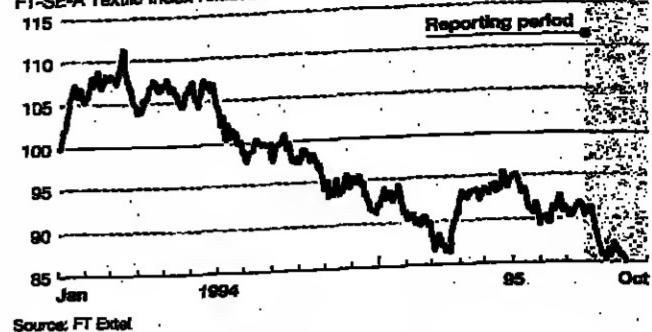
In this, it was one of only two suppliers to Marks & Spencer, Britain's main buyer of clothing, to report strong results. The other was Claremont Garments, which lifted its pre-tax figure by almost 30 per cent to £2.67m.

For William Baird, another M&S supplier, difficulties in passing on raw material price rises saw profits ease back from £28.8m to £28.4m. However, the group was also hampered by high financing charges following its acquisitions last year.

Manufacturers were also divided by the type of clothing they produced, with suppliers of light innerwear performing

UK textiles

FT-SE-A Textile Index relative to the FT-SE-A All-Share Index



Garments was exceptional in delivering margins of 10 per cent. The average was closer to 5 per cent, and many of the UK's largest producers continue to report margins of just 2 to 3 per cent, despite several years of restructuring.

The peaking of cotton prices in March, and wool and synthetic fibre prices just weeks later, should improve these figures next year, but an early and very cold winter will be needed to bring much buoyancy to 1995's results.

This is the third in the series. Life assurance appeared on October 5 and vehicles engineering on October 6.

Fine Decor agrees £21.5m bid from Intl Wallcoverings

By James Harding

International Wallcoverings, the Ontario-based wallpaper producer, has emerged as the bidder for Fine Decor, its UK competitor, with a recommended offer of £21.5m (\$33.2m).

The cash bid is 17p a share; the target's shares slipped 7p to 16p yesterday. When Fine Decor announced on September 11 it had received an approach, the shares rose 26p to 152p.

Fine Decor also reported yesterday a fall in interim pre-tax profits to £804,000 (£1.4m), reflecting "reduced margins as a result of higher raw material prices which could not be passed on to our customers".

Analysts said the acquisition was driven by the UK company's need to cut costs and expand sales outside the home furnishings market.

International Wallcoverings was bought by its management from Courtaulds in 1986 and floated in Toronto last year. In 1991 it made pre-tax profits of £8.1m on sales of £84.1m.

Mr Colin Beasley, chief executive, said: "A combined group will have significant opportunities to market our products jointly. The consolidation of production facilities should allow us to achieve substantial operational savings."

The larger company should also secure better discounts on raw materials prices.

Mr Harry Morgan, Fine

Decor's chief executive, emphasised "the unique fit between the two groups". International Wallcoverings specialises in children's and contemporary designs, and has distribution channels in North America while Fine Decor is stronger in traditional and floral patterns with a sales force in the UK and continental Europe.

Fine Decor's directors, who own 23.9 per cent of the share capital, have accepted.

There is an alternative paper offer of 0.258 shares for each Fine Decor, equivalent to about 17.5p. The deal will be funded through a combination of £25.5m special warrants issued in Canada and a C\$22m secured loan with NBD Bank Canada.

INTERNATIONAL PEOPLE

Beecham beefs up research

Jean Paul Garnier, left, is

to become chief operating officer and president of the drugs and consumer health care operations of SmithKline Beecham, the UK healthcare company. He moves up from the post of chairman of the company's pharmaceuticals division. Vicki Strongton, president of the company's clinical laboratories business, becomes president of a newly formed Diagnostics Business. The two, whose divisions account for all of SmithKline's business, will report to Jen Leschy, chief executive.

Harry Groome, 58, retires as head of the consumer business after 33 years with the company. He was vice president of marketing and sales for US pharmaceuticals from 1978 until 1988 when he took up his current post. He joined the main board of directors in 1992.

Garnier, 47, joined the company in 1990 as president of its North American pharmaceuticals operations and took his current post last year.

Daniel Green

Sears promotion

Alan Lacy, 41, has stepped into the top financial job at Sears, Roebuck & Co less than a year after he joined the giant US retailer. Lacy joined from Philip Morris Companies, where he had been vice president, financial services and systems. Prior to that he had been senior vice president, finance and strategy at its Kraft General Foods subsidiary.

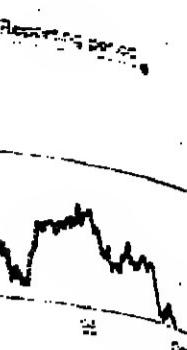
He replaces Russ Davis, 60, who retires next year as chief financial officer.

Hunting Blenheim

The departure of John Hunt, left, from his post as vice chairman of corporate finance at BZW, to be the new finance director at Blenheim Group, the exhibitions organiser, seems at first sight somewhat surprising.

His reasons for moving to a company with a market capitalisation of only £222m, Hunt says that he had spent most of his

start
UK demand



UK farmers 'could survive unaided'

By Alison Maitland

The average UK arable farmer could cover his costs without the help of Brussels subsidies, provided world grain prices stay at their current high levels, a survey will show today.

The annual survey by Touche Ross, the chartered accountants, reveals the relative competitiveness of the British arable sector and is likely to fuel the debate on the need for further radical reform of the European Community's common agricultural policy.

Mr Vincent Hedley Lewis, partner in charge of agricul-

ture at Touche Ross, said the sample of 170 farms covering 200,000 acres enjoyed a second profitable year last year thanks to static grain prices and rising area aid payments.

But the costs of production of the bottom 25 per cent of the sample remained well above world prices and only area payments kept them in the black. That implied that the rest could "in theory survive" without direct aid payments, said Mr Hedley Lewis, who expected world grain prices to continue rising but warned they could be volatile.

An end to area aid would,

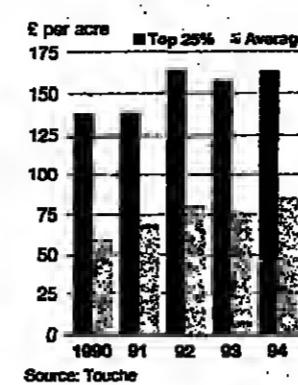
however, force a change of attitude by farmers, he said. Area aid amounted to \$83 an acre for the average farmer in the sample last year compared with average net farm income of \$27. "They would not be able to spend money on new equipment. They would not be able to renovate a lot of their properties. They'd be forced into more worrying things such as going for cheap sprays rather than more environmentally friendly ones."

His own view is that "a massive reform of the CAP is quite unnecessary", although he expects area aid payments to

be reduced gradually. He believes the most efficient arable farmers will then vote with their feet and withdraw from the CAP system, on the grounds that they can make more money using all their land and selling at world prices than receiving area aid and compensation for leaving part of their land idle.

The survey also shows that the top 25 per cent of arable farmers saw net farm income rise by £9 to £166 an acre, much less than the 14 per cent average increase achieved by the sample farms. Touche blames this partly on a significant

UK net farm income



Source: Touche

recent rise in machinery investment and property repairs and urges farmers to pay closer attention to costs.

Central banks 'moving gold out of Fed to clear way for swaps'

By Kenneth Gooding,
Mining Correspondent

Central bank gold is being withdrawn at a rapid pace from the Federal Reserve Bank of New York. Some 31.7m ounces (14,383 troy oz), or 10 per cent of the total, was taken out between the end of March 1992 and the same date this year, according to an analysis by the CPM Group, a New York based consultancy.

CPM explains that by no means all of the gold is being sold. Most of it remains the property of central banks but it is being transferred to the Bank of England or other locations.

The reason is that the New York Fed does not accept private sector deposits, only deposits from government entities. In contrast, the Bank of England will accept deposits of gold from investment and commercial banks and other private sector organisations.

CPM points out in its latest gold newsletter that if a central bank wishes to use its gold in a swap or options pro-

banks have a large exposure to private lenders with gold loans while a swap is fully covered by collateral.

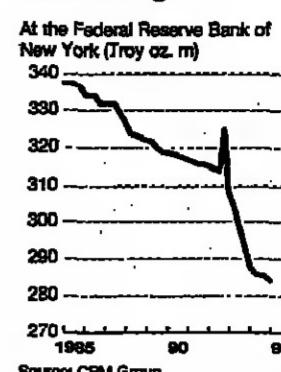
With a gold loan, the loaned gold remains owned by the central bank and could stay in the New York Fed, in a swap, the ownership changes from the central bank to the private sector counterparty for the duration of the transaction. So the swapped gold may not be held in the New York Fed.

These New York Fed rules also encourage central banks to remove gold from that bank, rather than the Bank of England or elsewhere, when they sell the metal - and they have sold 40.3m ounces (18,285 tonnes) since 1991.

CPM suggests the process could be reversed if the New York Fed's management would allow private depositors to hold gold in the Fed, and some private sector bankers are encouraging the Fed to make this change.

Precious Metals - Gold: quarterly, US\$2,000 a year from CPM, 71 Broadway, Suite 305, New York, NY 10006, US.

Gold holdings



Source: CPM Group

gramme in which the ownership of the metal changes hands to its commercial counterpart, the gold must be transferred out of the New York Fed if it is stored there, a costly and bothersome procedure. If it is the Bank of England the transaction entails only some paper work.

And central banks are putting increasing emphasis on swaps, instead of lending out their gold, because of credit concerns, says CPM. Central

MARKET REPORT Late selling hits coffee futures

COFFEE futures prices plunged at the London Metal Exchange yesterday as the New York market extended Friday's sell-off. The January position fell below support at \$2,200 a tonne to a low of \$2,175 before bouncing to close at \$2,195, for a loss on the day of \$57. "After Friday's close in New York everyone was looking for a reason to sell... The market was almost shrugging off the Brazil news [that the third quarter export quota had been exceeded] and then used it as an excuse to sell," a broker said.

At the London Metal Exchange ALUMINIUM prices beat a hasty retreat in after hours "kerb" trading. Compiled from Reuters

Picking up the pieces of Polish agriculture

The prospect of EU membership is increasing interest in the country's run-down farms

The surface of the autobahn was ribbed and the tyres of the car made more noise than is usual in Germany. But the concrete was made nearly 50 years ago to facilitate Adolf Hitler's invasion of Poland. Given the traffic it must have carried over those years its original quality must have been remarkable. The government of unified Germany is, in any case, beginning to improve the road to a standard fit for the ever-increasing number of vehicles travelling to and from the old Eastern bloc.

We were driving due east from Berlin towards the Polish border. As we approached the crossing point we came up behind a queue of cars that clearly stretched for several kilometres. It was a Saturday morning and we had forgotten that this was the favourite day of the week for Germans to visit relatives in Poland; also to buy cigarettes, which are cheaper there.

Two and a half hours later we crawled into Poland. My patience had been stretched but my travelling companion was jubilant, not only at the size of the queue of cars but also at the 15km of stationary lorries we had passed on another carriageway whose

FARMER'S VIEWPOINT

By David Richardson

drivers knew they would be there for at least 48 hours. All were heading across the border with goods for the Poles.

With pressure like that, said my friend, the inadequacy of the border arrangements could not survive much longer. And the length of the queues confirmed the amount of trade already going on between eastern and western Europe, in spite of bureaucratic border problems. The comparison between his reaction and mine can perhaps be explained as the difference between an optimist and a pessimist.

My friend was doubtless equally pleased with some of the things the Right Honourable Douglas Hogg, UK minister of agriculture, said when he visited Poland last week. Anticipating the accession of

Poland to membership of the EU, the minister spoke of a need to reform the CAP. "It must become more market-oriented, open and liberal" he said. And he suggested major reforms to remove or restrict protectionism would be necessary in order to accommodate 20 or more members.

But it was the acceptance that Poland will soon become a member of the EU that will please my friend most.

For it will almost certainly bring about political and financial stability together with the free exchange of currency between the existing EU and those former eastern European countries that join. It will make his farming ambitions that much easier to achieve.

At present he is negotiating to lease two large ex-state farms in Poland and another in the Czech Republic. In total they add up to 5,000 hectares and he is currently seeking investors with risk capital in order to fund the ambitious enterprise. He realises his long-term prospects for profit are considerable and also that he and his advisers, Touche Ross, will have little difficulty in raising the £2m required.

Prime mover in all this was my travelling companion Christoph Graf Grotte, now a

Norfolk farmer but born in Germany 41 years ago. For the past five years, following a Nuffield Scholarship to study farming in eastern Europe, he has travelled widely across the old eastern bloc advising new democratic governments together with their ex-state farm and co-operative managers how to privatise. Now he believes the time has come to be more deeply involved.

While identifying the three available farms with sufficient production potential in the two countries he has also found enthusiastic nationalists in both countries who are anxious to work with him. With his partners in the enterprise he has prepared a business plan. All he needs now is the capital to realise his dream of farming in eastern Europe, which he is confident is shared by many other farmers who may have cash to invest but who lack his knowledge and experience.

Christoph Graf Grotte has a track record. With partners he has recently set up a successful farming enterprise in the old eastern Germany. He worked for many years with a large farming and horticultural business in Cambridgeshire. He has managed farms in Norfolk for several years and is becoming known as a "mover

and shaker". He will need all his skills to move and shake into shape the farm he showed me in western Poland. Like most in the eastern bloc it has been starved of capital for many years. The yard is full of clapped out machinery; old fashioned and unsanitary sheds are full of dairy cows that do not look capable of economic yields; and most of the 70-strong labour force could play no part in any profitable future for the farm.

But the fields are large and the land, which lies in the bend of a river and is therefore

alluvial and deep, looks potentially very productive.

Clearly there are many problems to overcome. But given adequate investment and good management Christoph Graf Grotte is confident he can increase yields of both crops and milk to profitable levels within a couple of years. Looking further ahead, he hopes that these three eastern European farms can become the springboard for a much bigger farming and food involvement for his company in the region. He may well be right. But I hope for his sake as he travels back and forth between his profit centres that the Polish border authorities get their act together soon.

Pakistani cotton prices fall after export ban

By Farhan Bokhari

This week. The latest prices are almost 35 per cent down from the Rs2,450 a maund reached earlier this year. They have consistently fallen since the summer, when some forecasts for this year's crop (1995-96) suggested that it might rise to 10m bales, compared with this year's target of 9.5m bales. It was unclear, however, if the reduction in cotton prices would affect prices on the international markets. Some analysts were still uncertain whether the projections for higher cotton yields this year would be borne out by the final results as systems to monitor crop positions in fields across the cotton belt are weak and unreliable.

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINUM, 99.7 PURITY (\$ per tonne)

Cash 1732-33 1789-57
Previous 1742-43 1774-75
AM Official 1742/740 1788-744
Kerb close 1742-5 1775-5

Open Int. 205,547 205,740
Total daily turnover 1,040

■ ALUMINUM ALLOY (\$ per tonne)

Cash 1490-500 1595-40
Previous 1505-15 1590-51
High/low 1500/1540
AM Official 1500-10 1545-50
Kerb close 1500-50 1530-50

Open Int. 3,181
Total daily turnover 978

■ LEAD (\$ per tonne)

Cash 584-65 606-65
Previous 593-64 605-65
High/low 593-65 605-67
AM Official 593-65 605-67
Kerb close 593-65 605-65

Open Int. 33,261
Total daily turnover 4,702

■ NICKEL (\$ per tonne)

Cash 7845-55 7870-50
Previous 7820-50 8040-55
High/low 7870/7860 8025/8040
AM Official 7855-60 7975-50
Kerb close 7840-50 7940-50
Open Int. 45,243
Total daily turnover 8,533

■ ZINC, special high grade (\$ per tonne)

Cash 984-95 1016-18
Previous 984-95 1017-18
High/low 1019/1015 1045-18
AM Official 984-95 1018-18
Kerb close 977-97 1019-18

Open Int. 185,558
Total daily turnover 43,984

■ LME AM OFFICIAL 3/5 rates: 1.58/81
LME Closing 2/5 rates: 1.58/73

Spot: 1.5854 3 minic 2.1222 5 minic 1.5787 8 minic 1.5755

■ HIGH GRADE COPPER (COMEX)

Cash Day's Open

price change High Low Int. Vol.

Oct 12.55 +0.55 125.20 126.30 1,209 123

Nov 12.70 -0.50 126.20 127.30 1,188 21

Dec 12.70 -0.50 126.20 125.50 12,930 21

Jan 12.50 -0.70 125.50 125.50 1,040 13

Feb 12.75 -0.50 126.20 125.50 614 13

Mar 12.85 -0.50 125.20 125.50 4,517 817

Total 12.85 -0.50 125.20 125.50 32,857 4,903

■ COPPER, grade A/B (\$ per tonne)

Cash Day's Open

price change High Low Int. Vol.

Oct 12.45 +0.15 147.25 147.75 14,402 4,362

Nov 12.45 +0.15 147.25 147.75 14,083 2,800

Dec 12.45 +0.15 147.25 147.75 14,083 2,800

Jan 12.45 +0.15 147.25 147.75 14,083 2,800

Feb 12.45 +0.15 147.25 147.75 14,083 2,800

Mar 12.45 +0.15 147

INTERNATIONAL CAPITAL MARKETS

Focus shifts to forthcoming deals

By Conner Middelmann and Antonio Sharpe

The US Columbus Day holiday kept eurobond activity at a low ebb yesterday, and dealers were focusing on forthcoming deals, notably a planned global offering for the Asian Development Bank.

INTERNATIONAL BONDS

The ADB is currently conducting an extensive round of roadshows which took it to Asia and North America last week and has now brought it to Europe.

The issue, to be jointly led by Daiwa Europa and Morgan Stanley, is expected to be similar to its first global offering, \$750m of 10-year bonds, last year. It could launch its long-awaited offering as early as this week but dealers said it was more likely to surface next week. Spread talk is in the region of 24 to 26 basis points over US Treasuries.

Septi, the new Spanish industrial holding company which has inherited the debt of its predecessor Iri, plans to raise \$300m through an issue of five-year eurobonds next month.

Mr Hector Lopez, Septi's chief

NEW INTERNATIONAL BOND ISSUES								
	Amount m.	Coupon %	Price	Maturity	Fee %	Spread bp	Book runner	
Borrower								
D-MARKS								
Bayer. Vereinsbank Oessleff	200	5.00	100.1575R	Dec 1998	0.175%	+2050-99	Bayerische Vereinsbank	
Mitsubishi & Co (I)	200	5.25	100.00R	Dec 1998	0.225%	+2050-99	Merrill Lynch Bank	
City of Montreal*	70	6.50	100.125	Nov 2001	0.75%		Merrill Lynch Bank	
YEN								
World Bank (p)*	10bn	3.00	100.325	Dec 2005	0.325	-	Bank of Tokyo Capital	
STERLING								
Southern Investments UK*	627.07	(b)	100.00	Oct 2000	0.18	-	SBC Warburg	
LUXEMBOURG FRANCS								
DSF (Finex)*	2bn	6.675	102.65	Dec 2003	2.00	-	Kreditbank Luxembourg	
AUSTRALIAN DOLLARS								
Australian Investment Bank	100	7.00	100.11	Nov 1998	1.50	-	Hambros Bank	
CZECH KORUNA								
Nordic Investment Bank	1.5bn	10.825	100.10R	Nov 2000	0.50R	-	Bayerische Vereinsbank	
Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ^a Floating-rate note. R: fixed re-offer price; fcs: shown at relevant level. ^b Yen on 22/3/95 and Yen on 22/3/98. ^c Yen on 22/3/95 and Yen on 22/3/98. ^d Cetra on 22/3/95 at par. ^e 1-min Libor +0.05p to Apr 16 and 3-min Libor +0.05p thereafter. ^f Long rate coupon.								

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ^a Floating-rate note. R: fixed re-offer price; fcs: shown at relevant level. ^b Yen on 22/3/95 and Yen on 22/3/98. ^c Yen on 22/3/95 and Yen on 22/3/98. ^d Cetra on 22/3/95 at par. ^e 1-min Libor +0.05p to Apr 16 and 3-min Libor +0.05p thereafter. ^f Long rate coupon.

financial officer, said the bonds would be launched under its \$2bn MTN programme, of which \$1.1bn has already been used. Merrill Lynch is expected to arrange the offering for which Septi will not want to pay more than 20 basis points over Libor on a swapped basis.

The Greek state electricity utility PPC is expected to tap the eurobond market next week with a \$150m offering of five-year eurobonds. Pricing of the bonds, via SBC Warburg, will be set by the spread on outstanding dollar bonds issued by Greece. Its global bonds due 1999 were trading at

about 130 basis points over US Treasuries yesterday.

Finally, Abbey National is rumoured to be considering a \$500m to \$750m issue of 10-year subordinated bonds, either in the eurobond or the Yankee bond market.

The D-Mark sector saw two self-led bank issues with three-year maturities yesterday: DM300m of 5 per cent bonds for Bayerische Vereinsbank. Overseas Finance priced to yield 20 basis points over government bonds, and DM200m of 5.25 per cent bonds for Merrill Lynch, yielding 50 basis points over bonds.

The bonds were largely targeted at retail investors keen on buying securities that mature before 1999, the year European Monetary Union is to be implemented.

The European Investment Bank issued €100m of retail-targeted three-year bonds – its first eurobond issue in Australian dollars, according to lead manager Hambros Bank. Yielding 20 basis points through

Australian government bonds, and DM200m of 5.25 per cent bonds for Merrill Lynch, yielding 50 basis points over bonds.

The restructuring, which would include transferring the exchange's activities to a new joint-stock company, is part of a sweeping modernisation of the bourse over the last two years aimed at strengthening Amsterdam's position as an international financial centre at a time of increasing competition between the capital markets.

The latest step, which members will be asked to approve in December, will see the transfer of the exchange's activities to a new company called AEB which will be capitalised with shareholders' equity of €130m. Another company, called CSD, with capital of €15m, will act as the central clearing, settlement and depository institution.

The shares of AEB and CSD will be held by a new holding company, Amsterdamse Beursholding (ABH), which will have the main say on rules governing trading and listed securities, and will decide on listing applications.

Half of ABH's capital will be held by members of the Amsterdam Stock Exchange Association, 25 per cent by listed companies and the rest by institutional investors.

For the first five years, only existing shareholders will be able to trade the shares, during which period they will receive a dividend of 4 per cent on the capital invested.

After five years, the trading restriction will be lifted but no shareholder will be allowed to build up an interest of more than 20 per cent.

The margin on the two-tranche facility will depend on

the net gearing ratio of the combined group, according to PowerGen's offer document.

Tranche A, of £1.75bn, is a five-year term loan which can be drawn down over a nine-month period subject to PowerGen making the offer and it becoming unconditional.

Tranche B, of £200m, is a five-year multi-currency revolving credit facility available for purchases of Midlands shares and for refinancing.

● A £500m five-year revolving credit facility for KLM, the Dutch airline, has been oversubscribed, with more than 30 banks joining the transaction. KLM is now considering the size of the facility, which is due to be signed towards the end of this month.

● A £700m credit facility for BTR, the UK industrial group, was also oversubscribed but the borrower has decided not to increase the amount.

However, dealers warn that the koruna swap market is quite illiquid and could limit arbitrage-driven deals. "You have to work very hard to bring counterparties together," says Mr Harrison at Citibank.

Other convertible currencies in the region, such as the Estonian kroon or the Latvian lat, are now being eyed as potential eurobond currencies and some foreign entities have already tapped these countries' domestic markets in unsupervised transactions.

Finnish bank Postipankki and the NIB recently issued Estonian kroon bonds, and McDonald's Polska, the Polish subsidiary of the US fast-food chain, has just issued 11m zlotys of three-year bonds.

Followed hard on the heels of Friday's suspension of the five-day to 10-day lending facility.

Some analysts said the government could not sustain a period of high interest rates

GOVERNMENT BONDS

because it would play havoc with its aim to reduce unemployment.

By raising rates, the government had entered into a "game of chess" with the market and if it lost, it would have to abandon

its "franc fort" policy, they said.

Trading in French bonds was quiet and the spread over German government bonds widened by just one basis point to 103 points. On the Matif, the 10-year notional government bond contract fell 0.06 to 114.66.

UK gilts fell by more than 1% point, hit by inflation concerns after disappointing September producer price data and political worries following the weekend defection of Mr Alan Howarth from the ruling Conservative Party to the opposition Labour Party.

The difference between two and 10-year paper now stands at more than 220 basis points, an historic high.

Gilts underperformed German government bonds, with the 10-year yield spread widening to 172 basis points, from 167 at Friday's close. The December long gilt future on Liffe ended at 106.7, down 1.4% from Friday.

Speculation that the Bundesbank would have to cut rates again in order to take upward pressure off the D-Mark and so help the French franc caused a further steepening in the yield curve. The difference between two and 10-year paper now stands at more than 220 basis points, an historic high.

After five years, only existing shareholders will be able to trade the shares, during which period they will receive a dividend of 4 per cent on the capital invested.

After five years, the trading restriction will be lifted but no shareholder will be allowed to build up an interest of more than 20 per cent.

The margin on the two-tranche facility will depend on

the net gearing ratio of the combined group, according to PowerGen's offer document.

Tranche A, of £1.75bn, is a five-year term loan which can be drawn down over a nine-month period subject to PowerGen making the offer and it becoming unconditional.

Tranche B, of £200m, is a five-year multi-currency revolving credit facility available for purchases of Midlands shares and for refinancing.

● A £500m five-year revolving credit facility for KLM, the Dutch airline, has been oversubscribed, with more than 30 banks joining the transaction. KLM is now considering the size of the facility, which is due to be signed towards the end of this month.

● A £700m credit facility for BTR, the UK industrial group, was also oversubscribed but the borrower has decided not to increase the amount.

However, dealers warn that the koruna swap market is quite illiquid and could limit arbitrage-driven deals. "You have to work very hard to bring counterparties together," says Mr Harrison at Citibank.

Other convertible currencies in the region, such as the Estonian kroon or the Latvian lat, are now being eyed as potential eurobond currencies and some foreign entities have already tapped these countries' domestic markets in unsupervised transactions.

Finnish bank Postipankki and the NIB recently issued Estonian kroon bonds, and McDonald's Polska, the Polish subsidiary of the US fast-food chain, has just issued 11m zlotys of three-year bonds.

Followed hard on the heels of Friday's suspension of the five-day to 10-day lending facility.

Some analysts said the government could not sustain a period of high interest rates

GOVERNMENT BONDS

because it would play havoc with its aim to reduce unemployment.

By raising rates, the government had entered into a "game of chess" with the market and if it lost, it would have to abandon

its "franc fort" policy, they said.

Trading in French bonds was quiet and the spread over German government bonds widened by just one basis point to 103 points. On the Matif, the 10-year notional government bond contract fell 0.06 to 114.66.

UK gilts fell by more than 1% point, hit by inflation concerns after disappointing September producer price data and political worries following the weekend defection of Mr Alan Howarth from the ruling Conservative Party to the opposition Labour Party.

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MARKETS REPORT

Bank of France raises rates as franc wobbles

By Philip Gash

The Bank of France yesterday took a further step in its defence of the embattled French franc by lifting its 24 hour emergency lending rate today to 7.25 per cent from 6.15 per cent.

This follows the decision last Friday to close the 5-10 day lending window, replacing it with the 24 hour facility.

The BoF's initiative was successful in stabilising the franc which had earlier fallen to FFr3.53 against the D-Mark. It then recovered to trade steadily for the rest of the day, finishing at FFr3.512 against the D-Mark from FFr3.514 on Friday.

The other focus of market attention concerned the US dollar, following the weekend statement of support from G7 finance ministers and central bankers meeting in Washington. Predictably enough, the market was "disappointed" at its seemingly bland formula-

tion, and the dollar closed lower in Europe, but selling pressure was not intense.

After falling to a two month intra-day low of DM1.4050 against the D-Mark, the dollar recovered to close in London at DM1.4118, from DM1.427 on Friday. Against the yen it closed at Y101.3 from Y100.75.

Activity in the markets was affected by the fact that US markets were mostly closed on account of the Columbus Day holiday, while Japanese markets are closed today.

Sterling was a minor victim of the political fall-out following the weekend defection of a

finishing at DM2.2375, from DM2.2350. Against the dollar it was slightly firmer at \$1.5948, from \$1.5888.

■ The franc did not want for friends yesterday. Indeed, if a couple of good words from the neighbours was enough to see off a currency crisis, then the franc would be home and dry.

Hard on the heels of the BoF's decision to raise rates came the endorsement of Mr Hans Tietmeyer, the Bundesbank president, that the franc was still fundamentally one of Europe's strong currencies. Later in the day he was joined by Mr Theo Waigel, the German finance minister, who said that France's economic fundamentals were good.

Adding his voice to the chorus was Mr Lamberto Dini, the Italian prime minister, and former central banker, who said French fundamentals were among the best in Europe, so it was unclear why the franc was "over-reacting".

While the BoF will be

pleased with the initial impact of the changes it made, many observers noted that higher interest rates are no solution to France's problems. Mr Chris Turner, currency strategist at BZW in London, said: "Higher interest rates can only exacerbate the pressures that have been pushing the franc down."

Many analysts believe that trying to qualify for Eemu is throttling an otherwise robust economy. Mr Philippe Jordan, senior vice president at Daiwa Securities in New York, says: "Once the French economy is freed from the Maastricht stranglehold, it will do very well."

Expressing the views of many, he added: "I can't see how this government is going to be able to wriggle out of a devaluation."

Mr Robin Marshall, chief economist at Chase Manhattan in London, said the attack on the franc had more to do with the problems of the prime minister than the level of the

exchange rate. He said the country's strong current account position was evidence that the currency was not decisively overvalued.

Mr Marshall said a key issue for the currency would be the ability of the government to stand up to the unions. The previous government tended to "cave in" when the going got tough. If the current government goes the same way, making the fiscal discipline the market desires less likely, the franc will certainly face greater speculative pressure.

■ The Bank of England cleared an £800m money market shortage in its daily operations. Three month LIBOR traded at 6.9 per cent.

■ OTHER CURRENCIES

Oct 9 Short term notice One month Three months Six months One year

WORLD INTEREST RATES

MONEY RATES

October 9	Over night	One month	Three months	Six months	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4.1	4.1	4.1	4.1	4.1	6.00	3.30	-
week ago	4	4.1	4.1	4.1	4.1	8.00	3.50	-
France	5.6	7.9	7	8.6	8.6	9.50	5.00	6.15
week ago	5.7	7.8	8.2	8.8	8.8	9.50	5.00	6.05
Germany	4.1	4	4	4	4	4.50	3.50	4.05
week ago	4.1	4	4	4	4	5.50	3.50	4.25
Ireland	5.1	5.8	5.8	5.8	5.8	-	-	6.25
week ago	5.3	5.8	5.8	5.8	5.8	-	-	6.25
Italy	10.3	10.4	10.3	10.3	10.3	9.00	10.30	-
week ago	10.3	10.4	10.3	10.3	10.3	9.00	10.30	-
Netherlands	3.3	3.5	3.2	3.2	3.2	-	3.80	-
week ago	3.3	3.5	3.2	3.2	3.2	-	3.80	-
Switzerland	1.1	2.6	2.6	2.6	2.6	5.00	2.00	-
week ago	1.1	2.6	2.6	2.6	2.6	5.00	2.00	-
US	5.1	5.3	5.3	5.3	5.3	-	5.25	-
week ago	5.1	5.3	5.3	5.3	5.3	-	5.25	-
Japan	3.1	3.1	3.1	3.1	3.1	-	3.00	-
week ago	3.1	3.1	3.1	3.1	3.1	-	3.00	-

■ 3 LIBOR FT London Interbank Floating - 5% 5% 5% 5% - - -

US week ago - 5.6% 5.8% 5.8% 5.8% - - -

ECU Linked Deposits - 5.6% 5.8% 5.8% 5.8% - - -

SDR Linked Deposits - 5.6% 5.8% 5.8% 5.8% - - -

week ago - 5.6% 5.8% 5.8% 5.8% - - -

■ LIBOR Interbank floating rates are offered rates for \$100 quoted to the market by four reference banks at 11am each working day. The banks are: Barclays Trust, Bank of Tokyo, Barclays and National

Mid-morn are shown for the domestic Money Rates, US CDs, ECU & SDR Linked Deposits (Libor)

■ EURO CURRENCY INTEREST RATES

Oct 9	Short term notice	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4%	4%	4%	4%	4%	4%
Danish Krone	6.2%	6.5%	6.5%	5%	5.1%	6.5%
D-Mark	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Denmark	5.6%	5.7%	5.8%	5.8%	5.8%	5.8%
Dutch Guilder	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
French Franc	5.1%	7.3%	7.3%	7.3%	7.3%	7.3%
German Mark	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%
Italian Lira	3.22%	3.23%	3.23%	3.23%	3.23%	3.23%
Swiss Franc	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
UK Guilder	6.4%	6.5%	6.5%	6.5%	6.5%	6.5%
Spanish Peseta	6.4%	6.5%	6.5%	6.5%	6.5%	6.5%
Sterling	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
US Dollar	6.4%	6.5%	6.5%	6.5%	6.5%	6.5%
Yen	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Asian Shilling	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%

Short term rates are for the US Dollar and Yen, others two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) DM1m points of 100%

Open	Set price	Change	High	Low	Est. vol	Open Int.
Dec 92.75	92.65	-0.35	92.91	92.55	143,663	38,139
Mar 93.77	93.71	-0.21	93.95	93.55	31,177	20,354
Jun 94.27	94.20	-0.10	94.33	94.15	14,016	21,022

■ THREE MONTH EURIBOR FUTURES (Liffe) DM1m points of 100%

Open	Set price	Change	High	Low	Est. vol	Open Int.
Dec 90.05	90.00	+0.03	90.10	89.95	83,931	144,125
Mar 90.07	90.07	-0.02	90.13	90.05	88,209	135,925
Jun 90.07	90.10	-0.02	90.13	90.05	87,700	117,074
Sep 90.07	90.08	-0.02	90.11	90.07	65,974	85,744

■ THREE MONTH EURIBOR FUTURES (Liffe) DM1000m points of 100%

Open	Set price	Change	High	Low	Est. vol	Open Int.
Dec 92.26	92.28	-0.14	92.32	92.20	80,19	34745
Mar 92.30	92.30	-0.06	92.35	92.24	33,234	10,900
Jun 92.28	92.31	-0.08	92.33	92.27	32,857	11,797
Sep 92.28	92.30	-0.04	92.33	92.27	22,750	6,250

■ THREE MONTH SWISS FRANC FUTURES (Liffe) SF1m points of 100%

Open	Set price	Change	High	Low	Est. vol	Open Int.
Dec 92.12	92.11	-0.01	92.15	92.07	24,34	2,785
Mar 92.15	92.13	-0.02	92.17			

FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Unit Price Selling Price Date

Buy Price Date

Sell Price Date

Buy Price Date

FT MANAGED FUNDS SERVICE

● FT Cityline-Unit Trust Prices are available over the telephone. Call 0181 850 0000.

OFFSHORE INSURANCES

MANAGED FUNDS NOTES	
Prices are at a price until otherwise indicated and those displayed are the latest prices prior to U.S. closing.	Yield %, allows for all buying expenses.
Prices of certain other Insurance linked plans subject to capital gains tax no sales.	
*) Funds not SII accepted. The regulatory authorities for these funds are:	
- Deutsche Monetary Authority	
- Swiss Financial Services Commission	
- Central Bank of Ireland	
- Dept. of Fin. - Financial Services Commission	
- Jersey - Financial Services Department	
Luxembourg - located Luxembourg Luxembourg.	
Initial charge - Charge made on size of units.	
Billing price - Bid or redemption price.	
Buying price - Offer or Issue price.	
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:	
- 0000 hrs - London hours	
- 1100 to 1400 hrs	
- 1400 to 1700 hrs	
- 1700 to midnight	
- End charge on size of units.	
c - Manager's periodic charge deducted from capital.	
d - Historic pricing F - Forward pricing	
b - Distribution free of UK taxes.	
p - Portfolio premium/penalty plan.	
s - Single premium insurance.	
u - Investment in a U.S. Underwriting for Collective Investment in Transferable Securities.	
v - Offered price includes all expenses except sports commission.	
x - Previous day's price.	
gg - Guernsey price.	
- Yield before Jersey tax.	
- Ex-expenses, ex - Ex-distribution.	
- Ony available to charitable trusts	
- Yield column shows estimated rates of NAV increase.	

LONDON STOCK EXCHANGE

MARKET REPORT

Wall Street slide hits sentiment in equity market

By Steve Thompson,
UK Stock Market Editor

It was bids, bids and more bids in the UK equity market yesterday. But not even the prospect of a near £5bn offer for TSB could hold up a market affected by renewed turbulence in European currencies and a steep fall on Wall Street when it opened for business.

There was yet more worrying data on the UK economy and disturbing news for the Conservative party as its annual conference got under way in Blackpool yesterday, with the defection of Mr Alan Howarth, a former minister, to the Labour Party was seen as a serious

blow.

By the end of an erratic trading session, the FT-SE 100 index was looking increasingly likely to dip back below the 3,500 mark in the short term and showing a 16.2 fall at 3,510.

The FT-SE Mid 250 index underperformed the senior FT-SE index, sliding 25.9 to 3,933.1, despite strong showings by two of the regional electricity stocks, Northern and Norweb. An increased offer for the latter from North West Water is expected by the end of the week.

But it was the latest burst of actual and rumoured bid stories that captured the market's attention. The day began with the news

that Lloyds Bank and TSB were engaged in discussions which, they said, could lead to a merger.

The merger news, plus an increased offer by Arco, the US oil company, for Aran energy, the North Sea exploration company, plus the prospect of more bids this week, drove share prices sharply higher.

The market's early ebullience proved short-lived, however. A renewed bout of pressure on the franc, coupled with widespread disturbance across international bond markets, saw the FT-SE 100 drop into negative territory within an hour of the opening.

The first of the week's economic

data, producer input and output numbers, came as a disappointment to economists and were instrumental in unsettling markets. Input prices in September rose 0.9 per cent against a consensus figure of a rise of 0.2 per cent, while output prices rose 0.2 per cent, in line with most forecasts. The increase in input numbers was said to have lessened the prospects of an early cut in UK interest rates.

With Wall Street coming in sharply lower and down around 50 points shortly after the opening, the level at which programme trading is automatically prohibited, the FT-SE fell away to record a session low of 3,504.6, before staging a

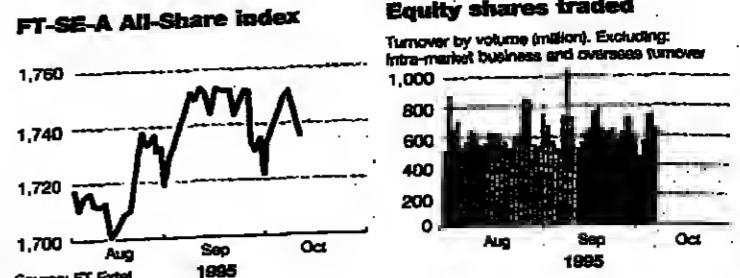
minor rally towards the close.

Gains in the day's bid stocks, Lloyds, Bank, TSB, Cadbury Schweppes and Standard Chartered, were worth 10 points on the FT-SE 100 and in Lloyds and TSB alone were worth 9 FT-SE 100 points.

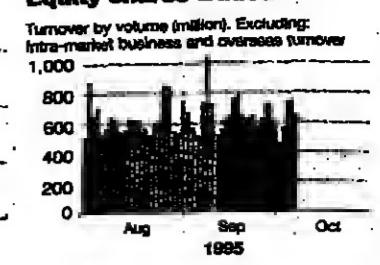
Marketmakers said the Lloyds/TSB news came "out of the blue"; a reference to the Monopolies and Mergers Commission was said to be a possibility as was the chances of a counter bid.

Turnover in equities was described as disappointing. By 6pm it was 744.3m shares, although that figure included 101m shares traded in Orb Estates, one of the market's minnows.

FT-SE-A All-Share index



Equity shares traded



Indices and ratios

FT-SE 100	3510.3	-16.2	FT Ordinary Index	2596.2	-16.7
FT-SE Mid 250	3953.1	-26.9	FT-SE Non Fin p/e	16.88	(17.07)
FT-SE A 350	1752.5	-3.9	FT-SE P/F Dec	3823.0	-28.0
FT-SE A All-Share	1735.2	-8.33	10 yr Gilt yield	8.12	(8.05)
FT-SE A All-Share yield	3.64	(3.63)	Long gilt/equity ratio	2.16	(2.19)

Best performing sectors

1 Banks, Retail	+2.2	FT Telecommunications	-1.8
2 Food Producers	+0.9	FT Electronic & Elec Eq.	-1.5
3 Water	+0.1	FT Tobacco	-1.5
4 Insurance	+0.1	FT Diversified	-1.4
5 Diversified Indus	-0.0	FT Oil, integrated	-1.4

Worst performing sectors

1 Telecommunications	-1.8
2 Electronic & Elec Eq.	-1.5
3 Tobacco	-1.5
4 Insurance	-1.4
5 Oil, integrated	-1.4

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point					
	Open	Sett price	Change	High	Low
Dec	3555.0	3523.0	-28.0	3555.0	3520.0
Mar	3558.0	3556.0	-28.0	3558.0	3550.0
Jun	3560.0	3560.0	0	3560.0	3534.0

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low
Dec	3860.0	3860.0	-25.0	3860.0	3834.0

FT-SE 100 INDEX OPTION (LIFFE) £50 per full index point

	Open	Sett price	Change	High	Low
Oct	3360	3400	3440	3360	3360
Nov	3400	3400	3400	3400	3400
Dec	3400	3400	3400	3400	3400
Mar	3400	3400	3400	3400	3400
Jun	3400	3400	3400	3400	3400

EURO STYLÉ FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low
Oct	3290	3275	-3475	3290	3275
Nov	3275	3275	-3275	3275	3275
Dec	3275	3275	-3275	3275	3275
Mar	3275	3275	-3275	3275	3275
Jun	3275	3275	-3275	3275	3275

FT-SE 100 INDEX OPTION (LIFFE) £50 per full index point

	Open	Sett price	Change	High	Low
Oct	3290	3275	-3475	3290	3275
Nov	3275	3275	-3275	3275	3275
Dec	3275	3275	-3275	3275	3275
Mar	3275	3275	-3275	3275	3275
Jun	3275	3275	-3275	3275	3275

EURO STYLÉ FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low
Oct	3290	3275	-3475	3290	3275
Nov	3275	3275	-3275	3275	3275
Dec	3275	3275	-3275	3275	3275
Mar	3275	3275	-3275	3275	3275
Jun	3275	3275	-3275	3275	3275

FT GOLD MINES INDEX

	Open	% chg	Oct 4	Year	Days dir	P/E	52 week
Oct 9	2160.00	-1.1	2159.83	2247.50	1.82	-	2384.73 1637.91
All	2160.00	-1.1	2159.83	2247.50	1.82	-	2384.73 1637.91
All - Recent Issues	2160.00	-1.1	2159.83	2247.50	1.82	-	2384.73 1637.91
All - Recent Issues	2160.00	-1.1	2159.83	2247.50	1.82	-	2384.73 1637.91

Major Stocks Yesterday

	Vol	Closure	Days</th
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4 pm close October 9

NYSE COMPOSITE PRICES

Continued from previous page

Stock	Div.	IV	Sales	High	Low	Close	Chg.	Per cent
Am. Mag.	152	30	231	274	272	-	-	-
Altis Inc.	13	20	15	15	15	-	-	-
Am Int'l	1.05	9	2	54.4	54.4	-	-	-
Ameriflex A	0.05	18	30	30	30	-	-	-
Amplifi A	0.05	12	10	10	9.5	-	-	-
Amplifi B	0.05	11	10	10	9.5	-	-	-
Amplifi C	0.05	12	10	10	9.5	-	-	-
Amplifi D	0.05	12	10	10	9.5	-	-	-
Amplifi E	0.05	12	10	10	9.5	-	-	-
Amplifi F	0.05	12	10	10	9.5	-	-	-
Amplifi G	0.05	12	10	10	9.5	-	-	-
Amplifi H	0.05	12	10	10	9.5	-	-	-
Amplifi I	0.05	12	10	10	9.5	-	-	-
Amplifi J	0.05	12	10	10	9.5	-	-	-
Amplifi K	0.05	12	10	10	9.5	-	-	-
Amplifi L	0.05	12	10	10	9.5	-	-	-
Amplifi M	0.05	12	10	10	9.5	-	-	-
Amplifi N	0.05	12	10	10	9.5	-	-	-
Amplifi O	0.05	12	10	10	9.5	-	-	-
Amplifi P	0.05	12	10	10	9.5	-	-	-
Amplifi Q	0.05	12	10	10	9.5	-	-	-
Amplifi R	0.05	12	10	10	9.5	-	-	-
Amplifi S	0.05	12	10	10	9.5	-	-	-
Amplifi T	0.05	12	10	10	9.5	-	-	-
Amplifi U	0.05	12	10	10	9.5	-	-	-
Amplifi V	0.05	12	10	10	9.5	-	-	-
Amplifi W	0.05	12	10	10	9.5	-	-	-
Amplifi X	0.05	12	10	10	9.5	-	-	-
Amplifi Y	0.05	12	10	10	9.5	-	-	-
Amplifi Z	0.05	12	10	10	9.5	-	-	-
Amplifi AA	0.05	12	10	10	9.5	-	-	-
Amplifi BB	0.05	12	10	10	9.5	-	-	-
Amplifi CC	0.05	12	10	10	9.5	-	-	-
Amplifi DD	0.05	12	10	10	9.5	-	-	-
Amplifi EE	0.05	12	10	10	9.5	-	-	-
Amplifi FF	0.05	12	10	10	9.5	-	-	-
Amplifi GG	0.05	12	10	10	9.5	-	-	-
Amplifi HH	0.05	12	10	10	9.5	-	-	-
Amplifi II	0.05	12	10	10	9.5	-	-	-
Amplifi JJ	0.05	12	10	10	9.5	-	-	-
Amplifi KK	0.05	12	10	10	9.5	-	-	-
Amplifi LL	0.05	12	10	10	9.5	-	-	-
Amplifi MM	0.05	12	10	10	9.5	-	-	-
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Amplifi OO	0.05	12	10	10	9.5	-	-	-
Amplifi PP	0.05	12	10	10	9.5	-	-	-
Amplifi QQ	0.05	12	10	10	9.5	-	-	-
Amplifi RR	0.05	12	10	10	9.5	-	-	-
Amplifi SS	0.05	12	10	10	9.5	-	-	-
Amplifi TT	0.05	12	10	10	9.5	-	-	-
Amplifi UU	0.05	12	10	10	9.5	-	-	-
Amplifi VV	0.05	12	10	10	9.5	-	-	-
Amplifi WW	0.05	12	10	10	9.5	-	-	-
Amplifi XX	0.05	12	10	10	9.5	-	-	-
Amplifi YY	0.05	12	10	10	9.5	-	-	-
Amplifi ZZ	0.05	12	10	10	9.5	-	-	-
Amplifi AA	0.05	12	10	10	9.5	-	-	-
Amplifi BB	0.05	12	10	10	9.5	-	-	-
Amplifi CC	0.05	12	10	10	9.5	-	-	-
Amplifi DD	0.05	12	10	10	9.5	-	-	-
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Amplifi AA	0.05	12	10	10	9.5	-	-	-
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AMERICA

Cyclicals and tech stocks lead retreat

Wall Street

Worries about weak earnings for the end of the year sent technology and cyclical stocks sharply lower in early trading yesterday, writes Lisa Branstetter in New York.

The technology-rich Nasdaq composite fell more than 2.7 per cent in early trading, sending the index below the 1,000-point level for the first time since early August. By 1pm, however, the Nasdaq had recovered from its lowest level and was trading off 23.08 at 988.06. The Pacific Stock Exchange technology index was more than 3 per cent lower.

Novell, the US software group, sparked yesterday's pull-back for technology companies by announcing late on Friday that it expected fourth quarter earnings below analysts' expectations because of slow sales of some of its software products. In early trading Novell's shares were nearly 15 per cent lower, falling \$2.7 at \$14.7. That bad news spread to other areas of the software business. Microsoft shed \$1.5 at \$34.1; Oracle was \$1.1 lower at \$36 and Adobe Systems fell \$1.4 at \$49.

Semiconductor makers and related companies also continued a slide begun last week on worries that supply was finally catching up with demand and might have some impact on pricing. Micron Technology sank 6 per cent or \$4.1 at \$65.6; Texas Instruments fell 5.2% at \$72.4; Intel gave up \$2 at \$80 and National Semiconductor was \$1 lower at \$24.4.

Mr Michael Metz, chief investment strategist at Oppenheimer & Co said: "A lot of people poured into technology shares and now people are not so sure that techs are going up and now they want out."

Nasdaq shares have shed about 7 per cent since they hit a record high of 1,067.40 on September 13, but the ride has been bumpy with sharp losses often bringing healthy gains the next day.

Fears of slower growth also hurt cyclical shares yesterday causing the Dow Jones Industrial Average, which is weighted toward such stocks, to underperform the more broadly traded Standard & Poor's 500. In early trading the Dow fell more than 50 points triggering market controls that prohibit program trading on falling shares.

By 1pm, however the Dow was off its lows for the day to post a decline of 41.91 at 4,727.30. The S & P lost 424 to 578.25 and the American Stock Exchange composite was 5.29 lower at 528.25. Volume on the New York Stock Exchange was light at 157m shares because of the Columbus Day holiday.

On the Dow, sliding cyclical shares included Caterpillar, off \$1.62 at \$32.65, and International Paper, \$1.1 lower at \$37.4, while consumer goods companies - which are considered defensive stocks in times of weak economic growth - managed to post modest gains. Procter & Gamble was up \$4 at \$80.6 and Coca-Cola moved \$4 higher to \$71.3.

Canadian markets were closed for a public holiday.

Caracas improves by 4%

Caracas rose to year-high levels with the IBC index rising by 4 per cent to 1,441.21 and the Merivest composite by 3.9 per cent or 40 to 107.2.

Brokers said that the investment climate had improved on hopes that a government team which was in Washington this week for the second round of talks with the IMF would successfully broker a deal worth at least \$1.5bn. Investors expect the government to secure the deal by conceding changes to economic policy, including a devaluation and

gradual dismantling of exchange controls.

Trading in MEXICO CITY was suspended for a short time after an earthquake hit the city. The 90-second quake was followed by several aftershocks and registered 7.5 on the Richter scale, according to preliminary estimates. No serious damage was reported, although buildings were seen swaying in the city centre.

By midday the IPC index was down 33.47 or 1.4 per cent at 2,375.72. Volume was 15.9m shares.

MARKETS IN PERSPECTIVE

	% change in local currency				% change				% change in US \$
	1 Week	4 Weeks	1 Year	Start of Term	Start of 1995	End of 1995	1995	1995	
Austria	+0.01	-3.82	-7.72	-8.25	-2.43	-1.40			
Belgium	-0.54	-0.87	-10.34	+5.76	+13.36	+14.55			
Denmark	-0.48	-3.90	+5.37	+1.24	+9.64	+10.95			
France	-4.35	-1.15	+20.15	+22.17	+33.00	+35.00			
Germany	+1.19	-1.99	+0.13	-1.62	+1.61	+4.88			
Ireland	-0.54	-4.42	-8.25	+1.60	+5.22	+10.65			
Italy	-0.72	-0.82	-16.48	-1.50	+1.25	+2.51			
Netherlands	-1.83	-5.35	-3.19	-1.25	-1.95	-0.94			
Norway	-0.13	-0.17	-15.51	+2.05	+17.65	+18.88			
Spain	-1.40	-2.88	-10.49	+1.34	+1.57	+8.89			
Sweden	-2.93	-6.05	+3.67	-3.95	-9.44	+10.58			
Switzerland	-2.33	-0.76	-33.78	-26.18	+32.07	+33.45			
UK	+0.90	+1.62	-21.84	-15.42	+30.15	+31.51			
UK	+0.55	-0.81	-17.58	-14.63	+14.63	+15.82			
EUROPE	-0.06	-1.75	-12.55	+8.93	+13.63	+14.81			
Australia	-1.60	-2.04	+7.72	+9.49	+8.34	+7.46			
Hong Kong	+2.34	+4.47	+0.83	+17.57	+18.57	+17.78			
Japan	+2.18	+2.50	-5.88	-4.88	-6.77	-6.80			
Malaysia	-1.69	-0.71	-15.76	+0.00	-0.37	-0.67			
New Zealand	-1.42	-1.48	+1.34	+7.24	+8.79	+10.94			
Singapore	+2.01	+3.14	-5.38	-1.02	-0.02	+1.03			
Canada	-0.91	-2.47	+5.41	+6.29	+10.78	+11.94			
USA	-0.23	+2.00	+28.13	+27.06	+25.75	+27.06			
Mexico	+1.09	-7.18	-6.15	-0.75	-24.85	+24.07			
South Africa	+1.82	+2.42	+17.01	-4.71	-4.97	+6.06			
WORLD INDEX	+0.45	+0.94	+10.81	+10.30	+10.84	+12.00			

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FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of lines of stock.

Australia (25) 184.44 -0.2 172.89 117.46 136.88 181.15 -0.4 4.03 104.84 173.17 117.35 137.43 191.74 191.01 197.95 165.24

Austria (26) 180.15 0.7 168.95 114.75 138.57 181.58 0.5 1.34 176.85 167.64 181.54 181.04 182.08 182.28 187.48 181.85

Belgium (23) 122.93 0.1 180.94 122.87 143.13 180.83 0.0 3.74 192.78 180.51 122.43 180.33 186.84 201.12 181.86 151.56

Brazil (26) 142.59 0.4 139.36 94.63 112.33 126.12 0.4 1.51 147.97 138.93 95.97 110.03 201.07 182.75 182.75 182.75

Canada (103) 144.84 0.1 133.84 102.24 107.45 137.01 -0.1 2.68 144.55 135.51 91.86 107.55 180.63 181.81 181.81 182.45

Denmark (23) 275.44 0.1 262.12 177.95 207.34 211.00 -0.4 1.24 280.51 262.79 178.14 202.05 290.99 294.81 243.48 243.48

Finland (26) 171.22 0.1 168.06 108.04 127.03 134.98 0.4 2.36 172.45 181.56 108.51 182.21 184.27 184.27 171.75 171.75

France (100) 171.22 -0.7 160.56 108.04 127.03 134.98 0.4 2.36 172.45 181.56 108.51 182.21 184.27 184.27 184.27 184.27

Germany (50) 158.15 -1.4 148.33 100.72 117.33 121.73 -1.7 2.03 190.45 187.32 101.91 119.31 187.74 194.99 184.99 184.99

Hong Kong (50) 384.14 -0.1 380.29 244.65 265.00 381.35 -0.1 3.79 334.55 380.29 244.21 285.28 310.70 381.00 277.40 381.21

Ireland (16) 244.47 0.4 231.18 108.72 128.25 125.63 -0.3 3.51 247.39 231.77 157.11 183.94 185.34 200.41 187.34 187.34

Italy (26) 158.05 0.1 156.88 108.88 127.41 125.58 -0.5 1.34 176.85 167.64 181.20 182.08 182.28 187.48 181.85

Japan (428) 147.84 0.3 158.88 94.16 105.88 91.15 0.5 0.51 147.10 137.81 93.42 108.37 180.42 186.82 186.82 186.82

Malaysia (106) 182.55 0.3 182.51 108.88 127.41 125.58 0.5 1.34 183.89 183.33 107.84 182.08 182.28 187.48 181.85

Mexico (16) 107.83 2.2 1008.48 98.80 79.77 78.92 0.7 1.74 104.83 97.97 68.22 77.84 745.32 2302.03 187.81 212.80

Netherlands (18) 267.82 -0.2 241.81 184.19 191.27 188.36 0.2 3.47 280.51 262.79 178.14 182.01 185.74 196.22 186.32 186.32

New Zealand (14) -0.1 203.74 138.35 181.15 184.88 182.33 0.5 1.34 188.89 188.89 107.84 182.08 182.28 187.48 181.85

Norway (23) 221.89 -0.2 217.30 147.65 171.89 182.33 0.3 1.72 218.44 202.77 137.45 171.20 182.92 187.48 187.48 187.48

Singapore (44) 375.07 0.2 363.48 240.01 271.60 248.09 0.2 1.85 376.18 382.44 230.93 276.70 247.47 241.28 231.93 231.93

South Africa (45) 357.11 0.6 354.83 227.43 264.92 265.78 0.5 4.08 356.08 332.86 228.46 264.00 288.32 281.05 281.05

Spain (38) 148.92 -1.1 136.85 92.93 108.23 108.00 -1.0 4.18 147.47 138.15 93.85 106.95 180.51 124.10 136.03

Sweden (45) 182.55 0.3 182.51 108.88 127.41 125.58 0.5 1.34 183.89 183.33 107.84 182.08 182.28 187.48 181.85

Names open case against law firm

By Jim Kelly,
Accountancy Correspondent

The Sturge Names Action Group, the largest group of litigating investors at Lloyd's of London, yesterday launched what is understood to be the first legal action against a firm of solicitors over advice given to managing agents.

The unexpected multimillion pound legal move significantly widens the scope of litigation related to the insurance market. Until now Names have taken action only against managing agencies, members

agents at Lloyd's. It is a further dimension of the unhappy saga of Lloyd's recent history.

SNAG said it had already started action against the Sturge holding company, the Sturge managing agents, members' agents, and syndicate agents over the decision to "commute" the reinsurance policy which protected Syndicate 210.

Syndicate 210 was the largest non-marine syndicate at Lloyd's with a stamp capacity in 1990 of nearly £200m. The total losses declared to date for the years 1990 to 1993 are more than £150m. SNAG represents 4,000 Names who participated in syndicates managed by Sturge agencies. Collectively the Sturge syndicates have declared losses to date of £1bn.

Syndicate 210 has declared losses of £250m with £185m related to asbestos and pollution claims.

SNAG said: "The proceedings against Clyde & Co are closely related to one of the court actions already underway concerning the decision by Sturge to commute a reinsurance policy - cancel the policy in return for \$80m - which gave unlimited protection to Syndicate 210 against exposure to US asbestos and pollution claims arising from policies written by the syndicate pre-1990." Mr John Raw, SNAG chairman, said: "Nothing can compensate our membership for the humiliation they have suffered by the betrayal of their trust."

Lloyd's council, Page 10



Retired US General Colin Powell, seen here outside a bookshop in central London, came to Britain yesterday to sign copies of his book *A Soldier's Way*, visit the prime minister and meet cousins who emigrated to Britain from Jamaica. He said he would decide by the end of

next month whether to run for president. "It seems to me that, because of the republican primary system, if I were to enter the election race as a Republican I would have to start registering for the New Hampshire primary, for example, in middle December," he said.

Mr John Major, the prime minister, once referred to rightwing agitators in his party as "devils on the fringe". As if the week had not started badly enough, the prime minister will find the conference fringe at this week's gathering in the north-west England resort of Blackpool absolutely crammed with demons.

However, the theme of the right this year is loyalty and patriotism. A number of leading rightwingers are seeking to emphasise their view that the prime minister has crossed to their side on Europe.

Meanwhile, Tate & Lyle made the changes made to Labour under Mr Tony Blair's leadership, by offering the party £25,000 - the first time the company has contributed to Labour's funds.

Mr Norman Lamont, the former chancellor of the exchequer, has entitled his fringe meeting "We are all Eurosceptics now".

The company said the donation reflected "the changing stance of the opposition". Board members are understood to have been particularly impressed with Labour's decision to drop its commitment to wholesale nationalisation. Meanwhile the Conservative party is £17.3m in the red.

Wednesday luncheon starts with yes, Mr Redwood, at the Selsdon Group on "Conservative principles winning ways". Elsewhere two of his campaign aides, Mr Edward Leigh and Mr Ian Duncan-Smith, will address the Freedom Association and the Young Conservatives about the "future of Conservatism".

However, the "must" event of the evening for the right is the Conservative Way Forward annual dinner with Mr Portillo as the guest speaker.

By Thursday the right on the fringe is beginning to wind down. Three former rebels, Mr Badgen, Mr Wilkinson and Mr Sheperd will speak out against national identity cards.

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NEWS: UK

Union says sackings are intended to forestall worker safeguards being sought by EU

Dockers barred from return to work

By Ian Hamilton Fazey
in Liverpool

Mersey Docks and Harbour Company yesterday refused to let 300 dockers return to work after sacking them over an unofficial strike. The company said it would be recruiting replacements after receiving nearly 1,000 inquiries for the men's jobs.

The 300 - the bulk of the Port of Liverpool's dock labour force - were held to have dismissed themselves by refusing to cross a picket line 11 days ago. Management said the men ignored warnings that they were putting their jobs at risk by being in breach of their con-

tracts. The picket was over the loss of 80 dockers' jobs at Torside, a stevedoring man-power agency on Merseyside which went into liquidation last month. The strikers wanted Mersey Docks to take on the men but the company refused.

The strikers' leaders now claim the dispute has been engineered to get rid of formerly registered dockers - who up to 1989 were guaranteed jobs for life - before Labour wins the next general election. About 80 dockers who crossed the picket line have helped the port continue operating throughout the dispute. However, Mersey Docks said

five container ships had turned away and had stopped using the Mersey "for the time being".

The 300 strikers decided to return to work yesterday after being told by the TGWU transport union that their action was illegal without a ballot. But about 150 who turned up for work were refused entry to the docks. Each had already received a dismissal notice at home.

Mersey Docks said it was "taking the opportunity to reorganise its labour force" with fewer dockers. It offered 200 of the strikers new contracts after dismissing them, but excluded their shop stew-

ards. The company refused to say how many had taken up the offer.

Mersey Docks said nearly 1,000 people had responded to job advertisements it had placed with the local media. Several hundred have so far returned application forms. Each new employee will have to sign an individual contract and some are understood to have started work yesterday. The company said it would continue to recognise the union.

"If any of the people who refused to cross the picket line want their jobs back they had better get an application in quickly," Mr Eric Leatherbar-

row, the company's information manager, said.

The Liverpool travel-to-work area has a male unemployment rate of 14 per cent, with pockets of up to 30 per cent in old urban districts near the docks. There are currently about 45,000 unemployed men in the area.

Mr Jimmy Nolan, a shop steward and leader of the unofficial strike, said: "The company has engineered this for its own ends. They want to remove the old workforce before the general election. They know that Tony Blair is going to look at European legislation and get us a better deal than we have now."

reformed, renamed, and "fairly financed" - it too would report to the new supervisory body.
Jim Kelly

Final prosecution witness is heard at Maxwells' trial

The Maxwell fraud trial yesterday heard evidence from the last of 69 witnesses called by the prosecution. The prosecution will close its case today after the submission of further written evidence. Mr Kevin Maxwell, a son of the late publisher Robert Maxwell, will go into the witness box to give evidence on his own behalf next Monday. Mr Maxwell denies two charges of conspiring to defraud the Maxwell pension funds. His brother Mr Ian Maxwell and Mr Larry Trachtenberg, a former advisor to Robert Maxwell, both deny a single conspiratorial charge.

John Mason, Law Courts Correspondent

Film industry earnings rise

Film and television

Overseas transactions (£bn)

1.0

Receipts

0.8

Payments

0.6

0.4

0.2

Net receipts

0.1

1981 82 83 84

Source: GSO

The UK film and television industries secured a health increase in overseas earnings of 19 per cent to £938m (\$1.45bn) last year against £783m in 1993. However, the amount spent on buying material and services from other countries rose even faster - by 28 per cent to £753m in 1994 from £588m in the previous year. As a result the net credit made by the industry on overseas transactions fell to £185m last year from £200m in 1993. The market for UK film and television material and services enjoyed strong growth in north America, where earnings rose by 18 per cent to £225m from £190m between the two years. Receipts from countries in the European Union showed higher growth of 41 per cent to £134m from £93m. There was also a significant increase in revenue from the use of UK production facilities by companies in other countries. Revenue from this source rose by 28 per cent to £176m from £137m. Payments outside Britain for production work increased sharply.

Alice Rawsthorn, Consumer Industries Staff

Candidates named for election to council

LLOYD'S

Fourteen candidates have come forward for the annual elections to the 18-member council of Lloyd's, the insurance market's governing body. David Rowland, Robert Hiscox, and Philip Wroughton retire this year as working members. Candidates for these vacancies are Paul Archard, Edward Benfield, John Charman, Barry Dean, Malcolm Mackenzie, and Mr Rowland. As chairman of Lloyd's he is eligible to stand for re-election.

External members whose term of office expires at the end of this year are Peter Viggers and Valerie Robinson. Nominated candidates for these two vacancies are the Earl of Arran, Marie-Louise Burrows, Michael Deemy, Desmond Heyward, John Mays, Ms Robinson, Mr Viggers and Dr Julian West. Ballot forms will be issued on October 27 and the ballot will close on November 28. Results will be announced soon afterwards.

Jim Kelly, Financial Services Staff

Certified accountants propose reforms

The Chartered Association of Certified Accountants, the UK's second biggest professional body for accountants, today publishes its blueprint for the independent regulation of the profession. The ACCA says its proposals go further than those put forward earlier this summer by the Institute of Chartered Accountants in England and Wales - the profession's leading body and principal regulator. The ACCA wants to see a new supervisory body financially independent of the accountancy profession. The present Auditing Practices Board would become fully independent and would report to the new body. The ACCA also wants the present Joint Disciplinary Scheme

A couple who rescued a dog in Israel were fined £400 (\$620) each in a London court after they admitted smuggling the animal through the Channel Tunnel. Mr Graydon Dunn, 29, and his wife brought the dog into Britain on a train from Paris. The British Isles are free of rabies and imported pets must be placed in official quarantine for six months at the owner's expense before being returned to their owners. There is no national vaccination programme.

PA News

OBITUARY: Lord Home was prime minister for 12 months in 1963-64

A Tory of the old school

Lord Home of the Hirsel, who died yesterday at the age of 92, was probably the last aristocrat to be prime minister of Britain.

Almost all his political experience was in foreign policy. As prime minister he was often seen by a younger generation as an anachronism and he lost the 1984 general election (though narrowly) to a Labour party which under Harold Wilson was promising great technological and managerial changes.

He was born in the Scottish border country in 1903, son of the 13th Earl of Home. At Eton, Alec Dunglass (as Home was then known) was president of Pop - the most elite body in the school - and captain of cricket.

After leaving Oxford University, there was no need to go into politics or do anything as a career. Yet clearly an ambition was there. He stood as a Conservative candidate in Scotland in the general election of 1929, lost decisively to Labour, but was elected in 1931.

Home worked his way up by the route of parliamentary private secretary - unpaid assistant and dogsbody to a minister. When Neville Chamberlain became premier in 1937, Home was his PPS. It was a marvellous apprenticeship for some-



Lord Home at the Tory party conference in 1973

one who was to become foreign secretary. Home lost his seat in the Commons in 1945, but regained it in 1950.

There was some surprise when, as the new prime minister in 1955, Eden made him secretary of state for Commonwealth relations, with a seat in the cabinet. It was not nearly as great as when Harold Macmillan, the next prime minister, made him foreign secretary under Edward Heath when the Tories won the election in 1970.

If he had a fault in foreign policy, it was shared by almost an entire generation. Home did not recognise the case for Britain joining the European Community from the start and he underestimated the staying power of the Franco-German relationship.

He was appreciated by diplomats, aware of the need to keep America in Europe and the twin virtues of strength and negotiation in relations with the former Soviet Union.

Volumes have been written on how Home came to the top. Macmillan had been going through a bad patch politically and became ill enough to be advised by his doctors to step

down. The outgoing prime minister clearly favoured Home as his successor and consulted him early on, but it seemed that he was a reluctant contender. Macmillan appeared to switch his support to Lord Hailsham, yet at a famous Conservative Party conference in Blackpool Hailsham launched his campaign too early.

Through what was known in the Party as the "customary processes of consultation" Home "emerged". The subsequent deliberations within the Conservative party were bitter.

In 1964, after 13 years of Tory rule, the Labour party achieved an overall majority of only four. The next year Home resigned as Tory leader. He returned as foreign secretary under Edward Heath when the Tories won the election in 1970.

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TECHNOLOGY

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Many of the leading innovations being developed for computer and telecommunications products owe their existence not to ever faster microprocessors but to another type of chip, called digital signal processors. Chip manufacturers say they cannot make enough of them.

These specialised chips offer high performance at low prices, many with a price below \$10 (£6.40) compared with Intel Pentium microprocessors costing several hundred dollars. Yet they can perform their specialised tasks more efficiently than a Pentium. While a microprocessor such as the Pentium is good for a wide variety of general purpose processing, DSP chips are specifically designed to handle the processing of video and audio data, anything that was once an analog signal.

The demand for DSPs is so strong that market leader Texas Instruments is to switch production of other kinds of chips to DSPs.

"The DSP market is as hot as a firecracker," says William Strauss, president of market research firm Forward Concepts which follows the DSP market. "A lot of the demand is being fuelled by the digital cellular communications market in Europe." The firm is predicting a 70 per cent jump in DSP chip sales this year, with growth continuing at a rate of about 40 per cent over the next five years.

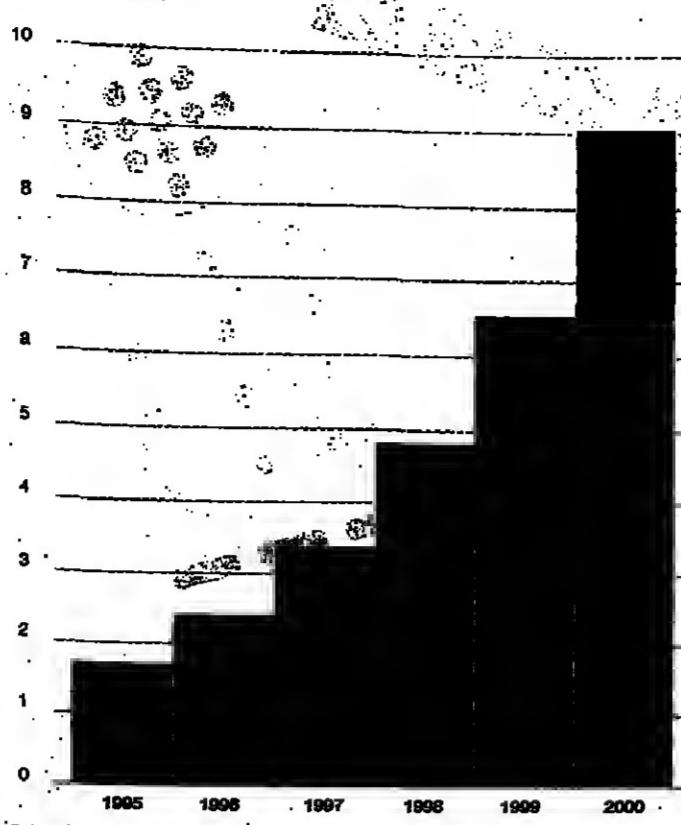
Texas Instruments is leading the boom in DSP sales by dropping prices on some chips to below \$5 each. Other DSP manufacturers such as Motorola, Analog Devices and AT&T are following suit and reporting large demand.

DSP chips are not only becoming cheaper but more powerful. Philips Semiconductors is preparing to introduce its TriMedia chip with a performance of about 4bn operations per second which compares with Pentium performance of around 200m operations per second.

While it is difficult to compare performance of DSPs with a general purpose microprocessor such as a Pentium purely on operations per second, the TriMedia chip is still orders of magnitude faster than a Pentium. You would need a dozen Pentiums to do what a \$30 TriMedia chip can," says Strauss.

The high level of performance offered by DSP chips makes possible new kinds of applications that will provide services such as video broadcasts over standard telephone wires without the need for expensive fibre optic cables; improved speech recognition that could allow PC users to dictate documents and improved car automobile safety devices.

Set-top TV boxes, which will offer hundreds of TV channels and interactive services, are another important

DSP chip sales
Worldwide (\$bn)

Source: Forward Concepts

Firecracker chips

Digital signal processors offer high performance at competitive prices, says Tom Foremski

tant market for DSPs. This is a natural market for DSPs such as Philips' TriMedia chip and similar chips being developed by Chromatic and MicroVU.

These high-end DSP chips are sometimes termed multimedia accelerators and can process multiple video and audio data channels - important for the next generation of PCs and communications equipment.

The new high-end DSP chips can also be programmed in a similar way that software developers program general purpose microprocessors such as Pentium. A DSP could be programmed to handle several different tasks. For example, a unit

could handle different types of communications, such as a fax, a modem, and voice calls and be upgraded with new software instead of requiring a new chip.

The increasing importance of DSP technology has not gone unnoticed at Intel. Late last year, the leading microprocessor manufacturer introduced its Native Signal Processing (NSP) technology which aims to use the spare capacity of a Pentium-based PC to process DSP tasks, Intel has demonstrated a software-only version of the Proshare videoconferencing application without using DSP chips.

Intel's NSP strategy alarmed some DSP manufacturers who saw

the move as an attempt to take part of their market, criticising Intel for attempting to sell more expensive Pentium microprocessors when DSPs were cheaper.

At the In-Stat annual conference in May, Curtis Crawford, president of AT&T Microelectronics, tried to galvanise his peers into action against NSP, calling it an attempt by Intel to monopolise the industry, saying that the consumer will suffer "because the industry will no longer be driven towards lower prices, innovation or customer service".

But Intel denies the charge, saying that NSP is part of a strategy to create a new basic PC architecture that can handle multimedia tasks without the need for additional hardware. A basic PC architecture would benefit PC users since software developers could develop advanced software applications - knowing that most PC users will be able to run them without the need for add-on boards.

Intel's NSP strategy, however, ran into problems earlier this year when software giant Microsoft recommended that developers should not support it because there could be compatibility problems with Windows 95. Intel agreed to change the specifications for NSP and to work with Microsoft to develop a more compatible approach.

Despite the initial problems faced by NSP, Intel argues that its strategy will succeed. "It's a basic rule of the computer industry that hardware functions migrate to software," says Steve McGeary, vice-president at Intel, and the leader of the group at Intel Architecture Labs that developed NSP. "If you have a computer system that does 70 per cent general processing and 30 per cent DSP functions, as a PC manufacturer, it is hard to carry the design burden of an additional processor, especially a fast-changing PC market."

Intel is developing a multimedia version of the Pentium, called the P54C, which will support NSP functions. Such a microprocessor could cut the price of PCs by as much as \$100 since fewer additional chips will be required. Intel says that DSPs will still be needed for high-end audio or video features, but that will only be needed by a small minority of users. Most PC users will benefit from cheaper systems with more powerful features.

There is little that DSP manufacturers can do to stop Intel's NSP strategy, but the loss of a small part of the computer market is offset by vast demand in communications applications and in computer peripherals such as large hard drives. The impressive performance of DSP-based chips means that DSP technology will be increasingly important in a wide range of future high-tech consumer electronics products.

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CONTRACTS & TENDERS**Department of Trade and Industry
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Companies House an Executive Agency of the DTI, is considering contracting out its Office Service Operations in Cardiff. This provides a variety of support functions for Companies House and applications are invited from contractors interested in providing the service.

The contract will be awarded in accordance with the EC Services Directive procedures and on the basis of the most advantageous tender. Primary award criteria will be quality of service to customers; financial viability and stability; compliance with specifications; proposals for developing the service; price of contract; security of service supply and proposals for the future of staff.

The staff currently providing this service will be available to the successful contractor under a TUPE transfer.

An Information Memorandum containing more information about Companies House and the Office Services Functions, together with advice to potential applicants, will be available from 10 October 1995 by applying in writing only to: Mr Phil Lewis, Contractorisation Team, R 344, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. Fax: 01222 380617.

The Information Memorandum will contain a questionnaire to be completed by potential applicants and returned by noon on 6 November 1995. Responses will be considered by the DTI who intend to shortlist up to six qualified applicants to submit a tender.

Companies House reserves the right to annul the tendering process and not to award a contract.

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Free Zone Administration Galati - Romania - located in Galati, A.I. Cuza Street, Cristal Block, is organising an open auction for the concession of lands for production, trade, banking, service and storage activities on a total surface of 1,300,000 sqm. The auction will take place on the 23rd of November, 1995, 11 o'clock local time.

The application should contain the following information: The name and the address of the company, accompanied by a detailed presentation of the company;

The surface required;

The activities for which the concession is required;

The duration for which the concession has been requested.

The deadline for letters of application is November 20, 1995, at the Free Zone Galati headquarters.

The tender documentation and other information are available at Free Zone Administration headquarters between 8 - 16 hours or at the following numbers: 40-36-411222; Fax: 40-36-414929

BUSINESSES FOR SALE**VEGETARIAN BAKERS****JRA GROUP****JRA LIMITED • PMC****AUSTRAL DENNING • HINO BUS AUSTRALIA**

(Scheme Administrators Appointed)

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ARTS

الفنون

A sculptor at the cutting edge

Eduardo Chillida is now 71 and, along with his coevils, our own sculptor knight, Eduardo Paolozzi and Anthony Caro, and the somewhat younger American minimalist, Richard Serra, he stands as one of the four great sculptors still active on the international stage.

This assertion, however, requires a little clarification: for by sculptor, I mean not one who merely accepts and redisperses any given material or form, but one who modifies it utterly - modelling, casting, welding, carving, cutting or twisting it into something entirely singular, personal and new. It is the direct and active product of the artist's hand that counts, no matter that its final monumental state may be achieved only by mechanical or industrial means.

Of this famous four, Chillida is by far the least well known in Britain, even though he has enjoyed enormous success throughout Europe and America. In his native Spain he is a star. In 1980 he was given the rare honour of an *omaggio* exhibition at the Venice Biennale, and the following year, *mirabile dictu*, a retrospective at the Hayward Gallery, his first proper showing in London in nearly 30 years. But it seems to have made little difference, for still the only thing we have of his in any public collection is the comparatively small piece which the Tate acquired in 1965. Fine though that piece is, such paucity of representation, most especially in the light of the indulgence shown to lesser if more fashionable artists, is a scandal.

At the Anny Juda gallery, where he is being shown for the second time in recent years, the

point is inescapable. He is a metal-worker, cutting, heating and bending his material to the required form; a modeller in clay, and a stone-carver too. He is also, in all of this, something of a minimalist. There is the block or slab of steel, the chunk of stone or dollop of fired clay, unarguably what it is in the monumental simplicity of its presence - that monumentality as manifest in the smallest as in the largest of the works. Take it or leave it - and taken or left as maybe, a ton or

**William Packer
admires the work
of Eduardo Chillida**

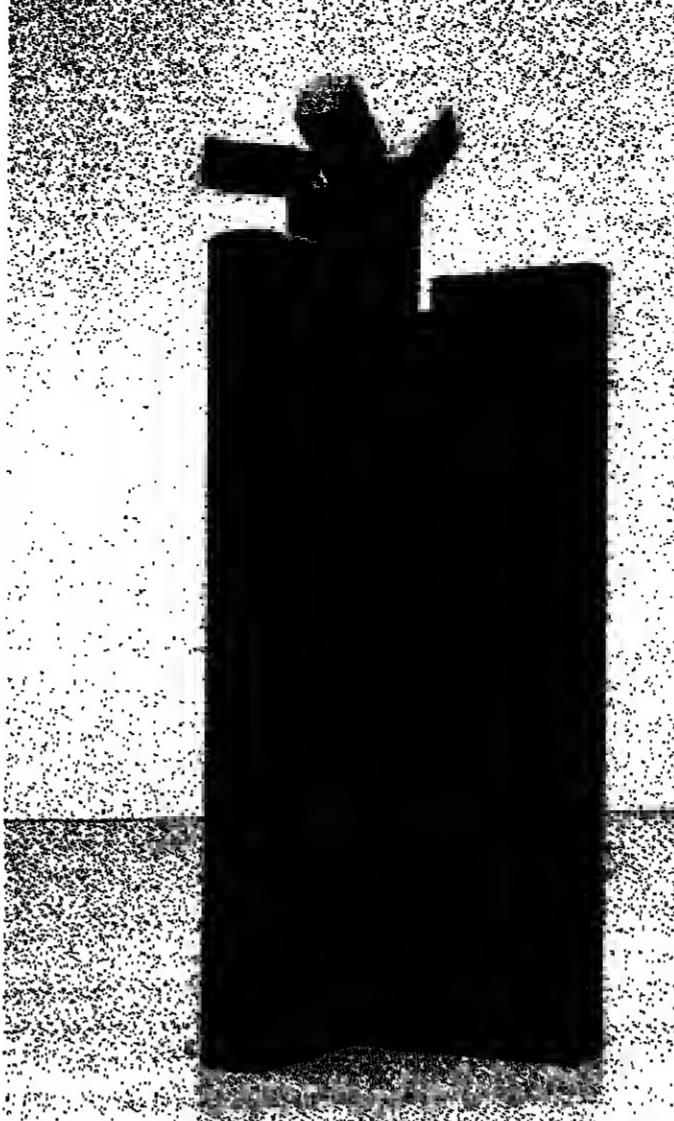
two of granite or mild steel is impressive enough in itself, and no less so, perhaps, in our knowing that it is in a gallery four floors up. But Chillida is a romantic too, and while he retains in everything he does this matter-of-fact directness of both material and practice, the references he makes and the associations he summons up are altogether more ambiguous - monoliths and totems, altars and sanctuaries, towers and citadels. The rising metal columns are bent gently this way and that - not so gently in fact in the actual beat of manufacture - so that they move across and against each other like branches, fronds or reeds in a breeze. Or are they like fingers clutching at air? Indeed the only directly figurative works in the show are drawings of hands, for Chillida has always been fascinated by the hand and has drawn it repeatedly. His huge "Combs of the Wind" that sit dra-

matically on the cliffs near San Sebastián, twist and clutch just so to catch the spray as the waves crash on the rocks below.

Here in the gallery it is the imagery of the tower and citadel, enclosed and protective, that predominates, though the branches still rear and sway above the battlements of the tallest of his metal towers. For the most part, such movement is now either absent entirely, or merely hinted at, implicit in the gentle sway and shimmy of the narrow tower itself as it rises, or in the plumper kneading of the clay, like dough.

The stone-carvings, true to their intractable material, have never been developed by Chillida as such images of organic growth or movement, how ever marginal or faint the hint might be. Rather they are ambiguous images not so much of enclosures as of penetrations - caves, tunnels and chambers in the living rock; an interior world revealed rather than contained. It is to this aspect of the work that the shallow cut-paper collages and reliefs, as opposed to the drawings, directly relate, but in a contrary way. For with them the visual invitation to enter, which the carvings so freely give, is withdrawn even as it is offered, as one maze layer hides away beneath another - images of locks, buried circuits, secret channels.

It would be a mistake, however, to suppose that Chillida's work falls too easily into its several compartments, separated by medium and image. The refinement with which it is all done would be enough to bring it together, for his simplicity of statement is as beautifully judged as it is deceptive. But the



Txoko, 1989: sculpture in steel by Eduardo Chillida

imageries, and the preoccupations it represents are in truth all of a piece, and underlying all is the opposition between the open and the closed, the organic and the inert, whether it is the clasped hands that grasp and hold, or the rock that is to be broken open. It is

an opposition as fundamental to our nature as it could be - matter indeed of life and death.

Eduardo Chillida - sculpture and works on paper: Anny Juda Fine Art, 23 Dering Street W1, until November 28.

Opera in Zurich/Andrew Clark A poetic view of Hoffmann's fantasies

Rare is the production of *Les Contes d'Hoffmann* which lends Offenbach's sprawling opera a sense of dramatic unity, while giving full rein to Hoffmann's fantasies. The first new staging of the Zurich season succeeds in doing just that - and it comes as quite a surprise.

Cesare Livi, the Vienna-based stage director, has coated his other recent productions with academic veneer. *Hoffmann* dispels that impression. Livi's designer, Maurizio Baldi, frames the performance with a wall of outsize books. And who should emerge from the bookends? None other than Niklausse, the poet's muse. After the prologue, the books are stacked at the side; leaving space for Hoffmann to meet Olympia, Antonia and Giulietta. Spalanzani's laboratory is little more than a desk and a chorus of mechanical dolls. Crespi's house is decorated with designs of musical instruments. Giulietta's Venice is not a sea of gondolas but the deck of a cruise liner, populated by a 1920s *beau-monde*. Thanks to the bookends, we see everything as Hoffmann sees it: through a filter of poetic imagination.

Livi is less successful in his direction of the cast, most of whom rely on their own stage experience to bring their characters to life. As Hoffmann, Neil Shicoff plays himself - intense, boyish, neurotic and vaguely effeminate. He was in tremendous, tremulous voice, every bit the star. Ruggero Raimondi made a polished role-debut as Hoffmann's four adversaries - a Bartolo-like

Coppelius, a Mephistophelian Dr Miracle, a suave Dapertutto in white naval uniform and a Lindorf who could have doubled as Don Giovanni. Whatever his incarnation, he was plausible and insidious - and singing beautifully.

Of Hoffmann's three loves, Elena Mosuc's Olympia cut the clearest profile: she was the least mechanical doll I have seen, her lifelike quality underlining the power of Hoffmann's delusion. In contrast to so many Olympias, she never sounded like a voice-machine. Daniela Dessim's pretty Antonia was spoilt by poor French and a disengaged stage presence. Cecilia Gasdia's courtesan resembled Sally Bowles in a bustle - a flighty girl with a heart of gold. Gabriela Sime was the spirited Niklausse, and Volker Vogel - *Spielener par excellence* - gave a series of witty cameos.

This was Franz Welser-Möst's first new production as chief conductor of the Zurich Opera House. It was a well-rehearsed debut, with plenty of pace, but too loud and heavy-handed to yield authentic fizz. Conducting in Zurich must be a welcome relief to London: there is a contented orchestra, a Germanic tradition, a sympathetic press. But Welser-Möst has made exactly the same mistake as before - taking on a big job before gaining the necessary experience. He has talent, but he should have been out in the sticks learning the repertoire before succumbing to the charm of the Opera House director, Alexander Pereira.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

GALLERIES Stedelijk Tel: (020) 573 2911 • Christiane Beaufays: giant video installation; from Oct 14 to Nov 26

OPERA/BALLET Het Muziektheater Tel: (020) 551 8922 • Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 12, 15 (1.30pm), 17

BERLIN

OPERA/BALLET Deutsche Oper Tel: (030) 34384-01 • Götterdämmerung: By Wagner. Conducted by Jiri Kout and directed by Götz Friedrich, this performance concludes the complete cycle; 5pm; Oct 15

• Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Sammartini; 7.30pm; Oct 13

• Siegfried: by Wagner. Conducted by Jiri Kout and directed by Götz Friedrich; 5.30pm; Oct 12

LONDON

CONCERTS Queen Elizabeth Hall Tel: (0171) 928 8800 • London Mozart Players: with soprano Cécile Ousset. Matthias Bamert conducts Mozart, Faure,



Both in fine voice: Ruggero Raimondi with Neil Shicoff in the title role in Zurich

conducts Barber and Mozart; 7.45pm; Oct 11 Royal Festival Hall Tel: (0171) 928 8800 • Philharmonia Orchestra: with pianist András Schiff. Kurt Sanderling conducts Beethoven's "Piano Concerto No.1" and "Piano Concerto No.4"; 7.30pm; Oct 11

GALLERIES Baltimore Museum Tel: (410) 396 6310 • Parallels and Precedents: 19th century French art from the George Lucas Collection. The exhibition highlights the parallels between the Lucas Collection and permanent collections in the BMA and the Walters Art Gallery with more than 100 pieces by artists such as Monet, Matisse and Picasso; to Oct 15

Saint-Saëns and Bizet; 7.45pm; Oct 11 Royal Festival Hall Tel: (0171) 928 8800 • Philharmonia Orchestra: with pianist András Schiff. Kurt Sanderling conducts Beethoven's "Piano Concerto No.1" and "Piano Concerto No.4"; 7.30pm; Oct 11

GALLERIES Donmar Warehouse Tel: (0171) 369 7172 • The London Philharmonic: with pianist Rolf Hind. Franz Welser-Möst conducts Sibelius's "Finlandia" and "Symphony No.1" and Rüdiger Sanderling conducts Beethoven's "Piano Concerto No.5 (Emperor)"; 7.30pm; Oct 11

• Philharmonia Orchestra: with pianist András Schiff. Kurt Sanderling conducts Beethoven's "Piano Concerto No.1" and "Piano Concerto No.4"; 7.30pm; Oct 11

THEATRE Donmar Warehouse Tel: (0171) 369 7172 • The Glass Menagerie: by Tennessee Williams, directed by Sam Mendes. Cast includes Zöe Wanamaker and Claire Skinner; 8pm; to Oct 5

Patrick Young. Soloists include Felicity Lott/Cheryl Studer, Andrea Root/Barbara Bonney and Robin Leggate/Rydland Davies; 7pm; Oct 10, 13, 16, 18 • Tosca: by Puccini. Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists include Galina Gorshkova, John Bohm and Francis Egerton; 7.30pm; Oct 11

THEATRE Donmar Warehouse Tel: (0171) 369 7172 • The Glass Menagerie: by Tennessee Williams, directed by Sam Mendes. Cast includes Zöe Wanamaker and Claire Skinner; 8pm; to Oct 5

Metropolitan • Rembrandt/Not Rembrandt: 22 Rembrandt fakes are compared with 18 genuine articles; to Jan 7 Museum of Modern Art Tel: (212) 708 9480 • Annette Messager: retrospective of the French artist consisting of books, photographs and installations that demonstrate how all things can represent objects of expression; from Oct 12 to Jan 16 Whitney Museum • Edward Hopper: impact on American art by the artist through his works; to Oct 15

■ NEW YORK CONCERTS Alice Tully Hall Tel: (212) 875 5050 • Lincoln Center Jazz Orchestra: Wynton Marsalis conducts a programme that includes Ellington, Monk and Mingus; 8pm; Oct 18 Carnegie Hall Tel: (212) 247 7800 • New Orleans to Now: with the Carnegie Hall Jazz Band, this concert gives an overview of the history of jazz from early New Orleans through the swing years of bebop; 8pm; Oct 12

• The London Philharmonic: Roger Norrington conducts an all-Berlioz programme; 7.30pm; Oct 15

• The London Philharmonic: Roger Norrington conducts an all-Berlioz programme; 7.30pm; Oct 15

• The Met Orchestra: with bass baritone Bryn Terfel, James Levine conducts Mahler's "Kindertoten lieder" and "Symphony No.8"; 3pm; Oct 15

GALLERIES Guggenheim Tel: (212) 423 3500 • Claes Oldenburg: an anthology of works by one of the key figures of Pop art in the 1960s. This exhibition includes a new piece entitled "Shuttlecock"; to Jan 14

■ PARIS CONCERTS Champs Elysées Tel: (1) 49 52 50 • José van Dam: bass baritone accompanied by pianist Maciej Plukiewicz plays Schubert's "Liebestod"; 8.30pm; Oct 14

• National Orchestra of France: with bass baritone José van Dam. Sergiu Băluță conducts Berlioz, Delibès, Massenet and Wagner; 8.30pm; Oct 17

GALLERIES Arts d'Afrique et d'Océanie Tel: (1) 44 74 84 80 • Gallery of the Five Continents: five artists produce works that represent their continent and cultural heritage. The artists include Joe Ben Junior, Jackson Pollock and Huang Yong Ping; to Jan 15

■ WASHINGTON CONCERTS Kennedy Center Tel: (202) 460 4600 • Suzanne Farrell Staged Balanchine: an evening of George Balanchine choreographed pieces performed by the Washington Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 17, 18, 19

THEATRE Arena Stage Tel: (202) 488 3300 • The Plough and the Stars: by Sean O'Casey. Tragedy of urban warfare during the Easter Rebellion against the British. Directed by Kyle Donnelly; to Oct 15

■ WASHINGTON CONCERTS Kennedy Center Tel: (202) 460 4600 • National Symphony Orchestra:

Theatre/Sarah Hemming

Stylish cabinet of sinister freaks

Nottingham Playhouse's *The Cabinet of Doctor Caligari* opened, appropriately, on the same weekend as the city's Goose Fair. The fair used to be the place where "freaks" were displayed, sad specimens of the kind found in Doctor Caligari's cabinet.

But though the show's sinister style is compelling, it is not quite enough to sustain it. The programme is packed with interesting snippets touching on a wide range of themes that you hope will be explored in the production. There is a piece by Oliver Sachs about the real and unsettling nature of sleeping sickness, another about the fascination of serial killers, another about freak shows and another exploring the story's significance for Nazi Germany. But each idea seems to be a cul-de-sac. Duncan's production hints at intriguing parallels - as Caligari cradles the miserable Cesare on one side of the stage, Lili's doctor father echoes that behaviour on the other - but does not follow them up.

The ensemble cast is strong, although again, the style means that psychological intricacy and depth are off the menu. Hence Matthew Kelly is chilling as Doktor Caligari, but nothing more. John Ramm is unnerving as his sad, mesmerised charge, and everyone else has little to go on. This powerful and atmospheric production is another bold move from Nottingham Playhouse, whose programme is far from dull, run-of-the-mill routine, but you emerge as bemused as to the final purpose of it as you might from the freak show itself.

Continues to Oct 21 at Nottingham Playhouse (0115-941 9419), a co-production with the Lyric Theatre, Hammersmith where it transfers on Oct 26 (0181-741 2311).

Kirov's 'Prince Igor'

Grigory Karasov's low-life scamp Skula.

His fellow *gudock*-player Yerushka - a *gudock*, I find, is a kind of rebeck does that help? - was Nikolai Gassiev, the degenerate Prince Galitsky Sergei Alexashkin, Igor himself the sober and sensitive Mikhail Kit, and the invading Khan Bulat Minzibikiev. All of those would have made stronger impressions in a proper opera-house. The female chorus surmounted any sense of constraint with lovely, thoroughly musical singing; the male chorus, not very numerous, was often swallowed up by the orchestra.

I should note that the Kirov performs *Prince Igor* in a new arrangement (as on their 1990 CDs). Borodin died suddenly at 53, having written an enormous quantity of music for his intended opera - in no particular order - over some 18 years. The "standard" version is by Rimsky-Korsakov and Glazunov, who made their own selections from that chaotic material and orchestrated nearly all of it. Few of Borodin's original manuscripts have been preserved.

On the slimmest of textual evidence, the Kirov has reversed the order of the first two acts and re-invented an aria for Igor which Borodin scrapped in favour of the one we already know from the original Act 2. The latter addition gives Igor more to do, to little purpose; and the act-switch spoils the effect of the "exotic" Polovtsian eruption after the sterner, Orthodox-based "Russian" music. It comes too early now, before the plain Russian mode has established itself. The Kirov should reconsider that.

David Murray

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Midnight Financial Times Business Tonight

A a France's elite public service training school marked its 50th birthday yesterday. The celebrations were tarnished by criticism of some of its most prominent graduates and of the institution itself.

The Ecole Nationale d'Administration's (ENA) 5,000 graduates - or "enarques" - hold some of the most senior positions in the French civil service, business world and politics. They include Mr Jacques Chirac, the president, Mr Alain Juppé, his prime minister, and Mr Lionel Jospin, soon to take over as opposition Socialist party leader - as well as the heads of large companies such as Elf Aquitaine, Renault, Société Générale and France Télécom.

But opinion is divided over whether the school's anniversary should be a time for celebration or condemnation. The college has been accused of perpetuating excessive centralisation and rigidity through its *pensee unique*, and of inspiring an elitism that many blame for recent business and political scandals.

"It is horribly badly adapted to today's world," says Mr Michel Crozier, a sociologist and business consultant. "It turns out people who think they know everything and do not listen."

ENA was created in October 1945 by General Charles de Gaulle, at the suggestion of Michel Debré, then minister for reform of the state. The aim was to provide a group of professionally trained civil servants at a time of postwar reconstruction to counter the elitism and nepotism that had previously characterised senior public-sector appointments. It was also meant to find new talent to replace those who had collaborated with the Germans during the Vichy era.

Housed in impressive premises in Paris's wealthy seventh arrondissement, ENA is admired in many countries for the training it provides to those aiming for senior civil service careers. It admits about 100 students from France each year, with a further dozen or more from abroad, from the hundreds of applicants who sit the stiff entry examinations.

The 27-month course includes units on administration and public policy, and students are required to become proficient in two foreign languages. During the course each student spends six months in a prefecture outside Paris. A second six-month placement is often spent in other countries

Elite corps under attack

France's academy for top people is being criticised for perpetuating rigidity, says Andrew Jack



Old school: (clockwise from top left) Chirac, Juppé, Jean-Yves Hélier, formerly of Crédit Lyonnais, Louis Schweitzer of Renault

such as the United States, and sometimes working for a company in the private sector.

The rest of the course is equally divided between Paris and Strasbourg, working on mock briefings for ministers or projects, individually and in small groups. To graduate, each student must undergo a "grand oral", fielding questions from five notable people for 45 minutes timed by a special four-faced clock.

Those who achieve the top marks in the ENA exams can join one of four "grands corps" public institutions such as the inspection des finances, the senior public-sector financial inspectorate.

In the past, this in effect guaranteed a job for life, even for those who spent time outside the public sector and then returned later in life. However, this safety net was abolished last year as a response to criticism of the practice.

In the 50 years since it was founded ENA has carved out a central role at the heart of the French establishment. The list of its graduates is a Who's Who of modern French leaders. At present eight graduates are serving as government ministers and 40 as deputies and senators. While three quarters are civil servants, the 15 per cent who work in the private sector include the heads of 41 of the country's top 200 companies.

Ironically, it was Mr Chirac who helped stoke the debate over the influence of ENA in his election campaign early this year. He argued that the closed ranks of the elite contributed to growing social divisions in French society which ran counter to its republican values.

Attacks on enarques are nothing new, however. In 1973, Baron Bich, the founder of the Bi lighters, pens and shavers company, wrote: "Technocracy is the malaise of our era; com-

ing from the highest levels (ENA), it conquers every rank... it creates a plethora of managers and organisers, but when it comes to doing the job, there is no one left."

However, discontent over the college's role has been heightened by the part played by its graduates in some business scandals. They include Mr Jean-Yves Hélier, a top-ranking graduate who was displaced as chairman of Crédit Lyonnais, the state-owned bank which has lost more than FF21bn in the past three years.

According to Mr Claude Bélier, chairman of the French insurer Axa, many enarques were "parachuted" from the public sector into senior positions in state-controlled companies about which they knew little, above the heads of those who knew the business.

"There are some extremely impressive enarques," says Mr Bélier. "And we will recruit them while they are still young if they are good. They are often very intelligent, but that is not the only thing that is important in business."

Mr Crozier is much more critical: "ENA had a very positive role at the start, but that only really lasted for half-a-dozen years. There is no serious reflection on the future - I find it scandalous."

Mr Crozier - who says the celebrations of ENA's birthday are an exercise in "self-glorification" - claims that ENA has failed to produce any of the most visionary of France's postwar administrators. Mr Jean Monnet, architect of the European Community, and Mr Jacques Delors, president until earlier this year, reached the top without entering its portals.

Mr Jean-Michel Gaillard, an enarque and author of a recent book on ENA, argues that the school continues to draw many students from relatively privileged backgrounds. He criticises the "tyranny" of the corps and says it has failed to break down the barriers between government departments, one of its original goals.

But ultimately he points out that it has trained thousands of effective, professional civil servants, most of whom remain essential cogs within the public sector. He says: "ENA has become an exaggerated symbol and scapegoat for all the current problems of the French state."

In the past, this in effect guaranteed a job for life, even for those who spent time outside the public sector and then returned later in life. However, this safety net was abolished last year as a response to criticism of the practice.

In the 50 years since it was

founded ENA has carved out a central role at the heart of the French establishment. The list of its graduates is a Who's Who of modern French leaders. At present eight graduates are serving as government ministers and 40 as deputies and senators. While three quarters are civil servants, the 15 per cent who work in the private sector include the heads of 41 of the country's top 200 companies.

Ironically, it was Mr Chirac who helped stoke the debate over the influence of ENA in his election campaign early this year. He argued that the closed ranks of the elite contributed to growing social divisions in French society which ran counter to its republican values.

Attacks on enarques are nothing new, however. In 1973, Baron Bich, the founder of the Bi lighters, pens and shavers company, wrote: "Technocracy is the malaise of our era; com-

Europa: Pedro Schwartz

Criteria for confusion



Spaniards used to think that the single European currency was a good thing for Europe and for Spain. But the recent heated disagreements about its launch date have surprised Spanish public opinion. And the repeated stalling of the exchange rate mechanism - and the obvious impossibility of Spain meeting the Maastricht criteria for economic convergence in good time - have plunged the business community into deep confusion.

Last week I saw Gary Becker, the 1992 Nobel economics laureate, who had come to speak in Madrid, being questioned repeatedly about the likelihood of European monetary union. I found questioners' insistence on addressing this one particular issue in itself an indication of mounting disquiet. Prof Becker had come to speak about something altogether different.

He did not dwell for long on the usual argument against a single currency: that flexible exchange rates allow a country with rigid labour markets to regain competitiveness without an undue increase in unemployment. The trade effects of a devaluation are usually short-lived and, in any case, may not all be positive in a country like Spain, which has a number of diverse regions with stark differences in their economic structure.

Instead, he struck at the core of the case for EMU by presenting flexible exchange rates as a more reliable disciplining mechanism than a single money issued by a European central bank. He argued that competition between national currencies, allowing individuals to pick their currency of choice for the job in hand, was

a better safeguard against inflation than a rule-driven bureaucratic institution.

In the audience was Mr Miguel Boyer, a former Socialist economics minister and member of the Delors Commission on the European Monetary System. Citing not only the perverse effects of trying to impose external discipline on governments intent on overspending, but also the very imperfect functioning of the EMS as a precursor to monetary union, Mr Boyer surprised everyone present by saying he regretted signing the Delors report and recommending the EMS and EMU.

It is now obvious that the mere invocation of the Maastricht criteria has done little to bring the Spanish state back to financial orthodoxy, let alone to managing its public sector sensibly.

It is true that partial reform of the labour market was carried out by the government, which argued that economic flexibility was needed to alleviate the unemployment resulting from a stricter financial policy. Meanwhile, attempts to reduce the losses made by public enterprises have been undermined by reminders that the government needed to cut its deficit.

But budget cuts have been more apparent than real. This has resulted in tension between tight monetary policies and generous public expenditure. Once such tension develops, speculation against the peseta and its eventual devaluation are inevitable.

The defective functioning of the EMS has contributed to a growing loss of confidence in the likelihood of a future single

currency. Not even a fluctuation band of plus or minus 15 per cent is saving the French franc from speculative assaults. This was predictable, since it is well known that limits, broad or narrow, to the fluctuation of pegged currencies are an incitement to speculation not a cure for it.

But the relative stability of the EMS for a number of years after its creation made many Spaniards believe the great expectations of the bureaucrats that devised it.

The recent meeting of EU finance ministers in Valencia confirmed 1992 as the date when EMU will be launched in those EU member states that fulfil the Maastricht conditions. But a combination of three factors is making Spaniards sceptical that this date is feasible. These are, first, the feeling that the Maastricht criteria have been

badly defined; second, the new insistence by Germany that the criteria be made more severe; and, third, the fear almost amounting to a conviction that Spain cannot meet even the more lenient conditions.

Prof Becker joined a number of Spanish economists in criticising these criteria for being wrongly chosen or at best incomplete. The principal criterion - limiting public deficits to at most 3 per cent of gross domestic product - is felt increasingly to miss the point.

This is because fast growing redistributive public spending above a reasonable limit inevitably weakens any capitalist economy. The public deficit is only a symptom of this, whether it is financed by inflation or public debt.

It is possible for excessive expansion to continue in spite of the ceiling on the deficit if the government in question collects more in taxes. Indeed, Germany's increase of taxes to finance public investment in the east demonstrated that scrupulous obedience to the Maastricht criteria is not always enough to check imprudent increases in public expenditure.

What Maastricht should have done was set a limit on public expenditure, or imposed a ceiling on the proportion of taxes that could be levied in relation to GDP.

The wariness of German public opinion with regard to any monetary scheme that might upset monetary stability has led some German politicians to float the idea of tightening entry conditions mainly by lowering the deficit ceiling that Spain could join EMU in 1999.

Last weekend, Mr José María Aznar, leader of the opposition Partido Popular, said in private that meeting even the present conditions would exact an intolerable social price on Spain. Some of his advisers have argued that Spain should veto the creation of narrow EMU, excluding Spain and other Mediterranean countries, from the premier division of the European league.

The last straw for many Spaniards was the dumping of the name "Ecu" for the prospective single currency, in favour of the even blander "Euro". Spaniards want to know what was wrong with Ecu in the first place and why so much time is being wasted in discussing a name, when so many more serious problems remain to be addressed.

The author is chief economist of Fincorp AV, the Madrid stockbroker

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171 873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Asia's challenge is to sustain growth and environment

From Mr Owen Cykle

Sir, Hidden in Peter Montagnon's growth forecasts for Asia is the reality that the region has yet to install 80 per cent of the industrial capacity that it will have by the year 2010 ("Survey of World Economy and Finance: Brakes go on to curb growth", October 6). Only 20 per cent of the industrial capacity among the OECD nations will be new in 2010 as measured from today. Think about it. Assuming a constant ratio between output growth and the capital stock in manufacturing, current growth forecasts translate into a doubling of the equipment stock for

manufacturing in Asia every six years, in less than one generation, the rapidly growing countries in Asia will virtually replace their entire capital stock.

The significance of this new reality for Asia and the world is obvious. On the one hand, there are the tangible benefits that development seems to offer.

On the other, the environmental dangers that proponents of sustainable development have long predicted. Yet, as one looks at the interplay among efficiency, growth, productivity and the environment, the Asia region has the potential

for reinventing its industrial regime, for launching a clean revolution, much as it did a generation earlier in agriculture with the green revolution.

Asia isn't just some other emerging market. It defines development and is where the idea of sustainability will be most seriously challenged over the next generation. A Clean Revolution in Asia is in every one's interests.

Owen Cykle,
senior fellow,
Tata Energy & Resources
Institute,
Washington DC,
US

Too pessimistic about forecasts

From Mr Jeremy Weltman

Sir, John Kay's recent article ("Cracks in the crystal ball", September 29) rightly implies that economic forecasts should be treated with a great deal of caution, but is too pessimistic with regard to their usage. Indeed, what is perhaps least understood by critics of forecasting, but of paramount importance, is that forecasting *per se* represents the best available (scientific) view of the future at the date the prediction is made.

Furthermore, projections of turning points in economic series - ie indications of future risk to current plans, rather

than their absolute values - are still important to the end-user (for example the industrial planner) even if subsequent outturns differ by several percentage points.

Professor Kay's assertion (based on research undertaken by London Economics) that forecasters tend to cluster around the consensus does not wholly bear out, however.

While it may be more true for UK forecasters, the clustering is less evident in similar surveys for other generally more-volatile "emerging market" countries, such as Venezuela. But the added advantage of consensus-type products lies

in their regular sampling (often monthly) which permits users to spot changes in forecasts earlier.

Indeed, identifiable trends in consensus forecasts from month-to-month are a familiar occurrence, as forecasters gradually alter their estimates in the light of new information.

Spotting these movements at an early stage is an important tool in the effective use of forecasts.

Jeremy Weltman,
deputy editor,
Consensus Economic Inc.
53 Upper Brook Street,
London W1Y 2LT, UK

Argument about windfall tax confirmed

From Mr Dominic Hobson

Sir, Mr Geoffrey Robinson's letter (September 28) was intended to refute your argument that the proposed windfall tax on the privatised utilities was arbitrary and opportunistic. Unwittingly, it merely confirms the truth of your observations.

Mr Robinson's argument that the impact of the £2.5bn heist will leave gearing and interest cover ratios within the levels set by the regulator

roughly translates as "they can afford to pay". His second argument, that it will "accelerate the reduction in the industry's presently excessive real rate of return" is a euphemism for the belief that "they are making too much money".

Last, asking shareholders to pay a tax on the grounds that their assets have "outperformed the market as a whole both in dividend growth and rate of return" is an argument

for levying a windfall tax on any company whose share price beats the index.

As you rightly pointed out, the windfall tax is opportunistic, retrospective, arbitrary, inefficient and a bad precedent. It is a cynical ploy, designed to take political advantage of some deservedly unpopular private companies.

Dominic Hobson,
62 Manchurian Road,
Battersea, London SW11 6AE, UK

Business school fund raising approach not one to support

From Mr Graham Gould

Sir, As an alumnus of Insead I was interested to read of its intention to increase fund raising activities among alumni (Business Education: "Insead launches fundraising drive", October 2).

I found Insead invaluable for my career and I met people there who have become some of my closest friends. Undeniably, it was one of my best decisions when I decided to go,

form better, and for individuals to improve their skills and their market value. These are laudable objectives and they have a clear value. A donation to a business school may improve an already very acceptable quality of life for a business executive - unfortunately, there are many people in the world who do not have an acceptable quality of life. These are the real causes that people should support.

Business schools should understand more than anyone that, as a commercial organisation, if you cannot generate enough money from the services or products you provide to sustain your activities then the market is telling you something.

Graham Gould,
partner,
The Coba Group,
4 Great James Street,
London WC1N 3DA, UK

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FINANCIAL TIMES

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Tuesday October 10 1995

Steps towards a tougher IMF

Judged by the standard of past attempts at self-reform, the International Monetary Fund's response to the Mexican crisis looks positively brisk. By the end of this year's annual meetings, now under way in Washington, the members will have agreed on measures which respond directly to the failings highlighted by the Mexico debacle.

In principle, at least, the new measures address two sides of the IMF's role in the international financial system - first, as a potential preventer of crises such as Mexico's; and, second, as the provider and manager of emergency cures. Everyone is agreed that gaps in Mexico's published economic data over the course of 1994 played a part in hiding the country's deepening crisis from external investors. The new data standards agreed by the IMF's executive board over the weekend will not prevent other governments from hiding their problems. But they will at least establish a benchmark against which countries' candour may be evaluated.

Though helpful in their own right, the new rules stop short of giving the IMF a more explicit role as an "early warning system". Officials promise to be "more pointed" in private consultations with problem countries. But anyone hoping that they would force greater transparency on countries, by revealing their own views about them, will be disappointed.

The IMF is never going to relish the role of whistleblower - nor is it clear that such a function

should be imposed on it. The Fund worries, understandably, that greater openness on its part would make governments even more wary of confessing their troubles. It would also carry a further danger, that crises triggered by its "early warnings" would be blamed on the Fund rather than on the governments and policies which made them necessary.

Tidying up the IMF's procedures for providing emergency financing is another sensible change. In effect, the new procedures merely formalise the arrangements used to give exceptional assistance to Mexico. But member governments which were disgruntled by the last-minute arm-twisting involved in agreeing the Mexican package now have at least some assurance that next time, they will not be offered a *fait accompli*.

The weekend meetings also won agreement, in principle, on expanding the emergency credit lines available to the IMF under the "general arrangements to borrow". This, too, is welcome - taken together, the new "emergency finance mechanism" and the expanded credit line mean that the IMF is prepared, on paper at least, to cope with short-term liquidity crises.

Elaborating procedures for dealing with emergencies is one thing; deciding when and how they ought to be applied is quite another. Notwithstanding the progress of recent days, this trickier, but more fundamental, question arising out of the Mexico crisis has not yet been answered.

Caspian sense

The fact that US President Bill Clinton found it necessary to spend 25 minutes on the telephone last week to Azerbaijan's President Heydar Aliyev underlines the strategic importance of yesterday's decision on the routing of oil exports from the Caspian Sea. Some believe that oil and gas from the Caspian and further afield in central Asia will be as important for world energy supplies in the next century as the Gulf has been in the present one.

After months of intense lobbying, threats and blandishments from Russia, Turkey and the US, the international oil consortium set to exploit the new Azer oil-fields has decided in principle to route its initial output both through Russia's pipelines, and via an alternative Turkish-sponsored route through Georgia to the Black Sea. How precisely the oil will be divided up has been obscured by confusing pronouncements, enabling all sides to claim victory. But if the net result is that oil from Caspian reaches western markets through more than one outlet, that can only be welcome for future consumers.

If the Russian pipeline was routed through an area less hazardous than Chechnya, where Russia has failed to re-establish its authority, and if Moscow's record as a reliable economic partner were established beyond all question, it would probably have made sense to send all the "early oil" through the Russian system.

The US in particular, backed by Turkey, was determined not to

allow Russia that sort of stranglehold over such a vital future resource. Hence their joint determination to ensure that alternative routes were used. In the short term, that will be through neighbouring Georgia, whose political stability is also fragile. In the long term, an overland pipeline to Turkey appears to be a serious option. That would probably have to run through Armenia, which is still in a state of virtual war with Azerbaijan. All routes run through potentially war zones.

Pipelines from the Caspian could be a source of prosperity and reconciliation, or they could provide the fuel for further conflict. For the leaders of Georgia and Azerbaijan, a torrent of oil money will increase the temptation to reconquer the territories they lost in the collapse of the former Soviet Union. On the other hand, officials in both Russia and Turkey have hinted that an agreement on the pipeline could somehow be linked to resolution of the Nagorno-Karabakh conflict between Azerbaijan and Armenia.

This may be too ambitious a goal for the immediate future, but all the governments concerned should work to ensure that rivalry over the pipeline routes does not exacerbate the existing regional conflicts. Yesterday's compromise - a step in the right direction. A deal in defiance of Russia would have been impossible to sustain. This one acknowledges Russia's interest, without allowing it a stranglehold.

Lloyds and TSB

The potential merger of two of the best known names in British retail banking, Lloyds and TSB, inevitably raises questions for competition policy, especially after Lloyds' recent swoop on the Cheltenham & Gloucester building society. Yet there is less cause for concern here than in Lloyds' approach to Midland Bank in 1992, when a reference to the Monopolies and Mergers Commission forced Lloyds to withdraw, leaving the field to Hongkong and Shanghai Banking Corporation.

TSB is nowhere near as big a force as Midland in small business lending, which was one of the chief areas of sensitivity in the earlier bid. And if the retail banking sector is properly defined to include the building societies, Britain has far more nationwide banking institutions than Germany, France or Italy. The reality of the UK retail banking market is visible in the high street: a plethora of brand names attached to products that are not greatly different from one bank to another.

Britain is overbanked for the understandable reason that in the days of clearing bank and building society cartels, setting up new branches was a natural form of non-price competition. Today the cartels have gone and price competition is powerful on both sides of the bank balance sheet. It is inconceivable in this large, liquid and transparent market, that a Lloyds-TSB combination would drive up prices.

As for the insurance interests of the two banks, the argument is marginally less clear-cut, since

the first cost saving from the proposed merger between Lloyds Bank and TSB, two of the UK's largest high-street banks, became evident yesterday morning when Sir Brian Pitman, Lloyds chief executive, gave Sir Nicholas Goodison, TSB chairman, a lift into London from Heathrow airport.

After speculation that Lloyds was on the brink of an acquisition, both had cut short their attendance at the International Monetary Fund conference in Washington to put the final touches to a merger deal.

The combined Lloyds-TSB group would be the UK's largest high-street bank, with a market capitalisation of about £15bn. As a banking group, it would be smaller only than HSBC, which owns Midland Bank.

The merger represents Sir Brian's third attempt to bring together two UK banks. In 1988 Lloyds failed in its attempt to take over Standard Chartered with a mix of performance shares and cash. Three years ago its "proposed" £3.7bn offer for Midland Bank using ordinary shares and cash also came to nothing. With Sir Brian's postponed retirement due at the end of next year, this latest proposal could also be his swan song.

Details of the deal have not yet been announced - although a statement could come as early as tomorrow - but its shape is already becoming clear.

Lloyds shareholders will own 70 per cent of the combined group, with TSB shareholders owning the remaining 30 per cent. It would value TSB shares at 325p and TSB shareholders would receive a special dividend of 68p per share.

Initially, at least, the two separate banks will maintain their identities in order to cater for different sectors of the personal banking market. The virtue of keeping both brands, as one analyst sees it, is that "TSB would be used as the mass-market brand while Lloyds becomes the upmarket brand".

Sir Brian would be chief executive of the Lloyds-TSB group, while Mr Peter Ellwood, TSB chief executive, would have responsibility for integrating the management and administration of the two banks' retail operations. Mr Alan Moore, Lloyds deputy chief executive and treasurer, would be responsible for bringing together the wholesale sides of the businesses.

"North-south is the key to this deal," one observer commented yesterday, in a reference to the two banks' branch networks. Lloyds' 1,800-branch network of high street branches is strongest in the south of England, while TSB's 1,100 branches are mainly in northern England and Scotland.

While both banks have had a strong focus on personal customers, the rationale for a combined network lies not in personal banking but in business customers.

Lloyds has about 15 per cent of the small business market but has been restricted in further increasing its share by the spread of its net-

Lloyd's attempt to merge with TSB Group could signal the start of a fresh wave of banking mergers to match that of the 1980s. Banks are now flush with capital and are struggling for revenue in a low-inflation economy. Those that do not shrink by returning capital to shareholders must find ways of cutting costs, and a merger is the most obvious way.

"This will be the first of many," says Mr Richard Coleman, analyst at Smith New Court, the stockbroker. He argues that Royal Bank of Scotland, Bank of Scotland and even Abbey National are now obvious targets for larger banks hunting for suitable merger partners.

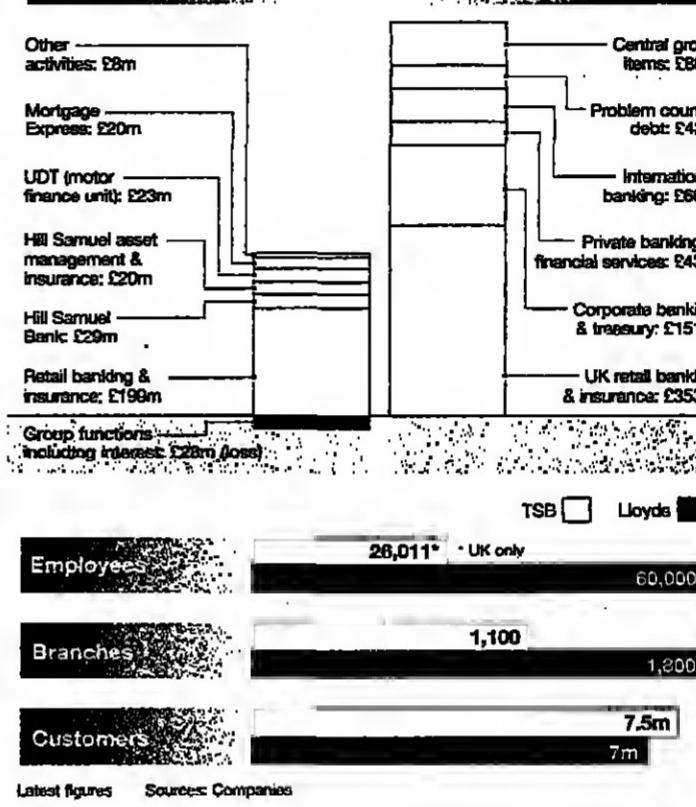
The main precedent set by the deal is that Lloyds is proposing to gain control of TSB not with its own cash but with a combination of its shares and TSB's cash pile. The 68p (\$1.07) special dividend to shareholders will be paid from TSB reserves. This will allow the acquisition of a bank with a market capitalisation of £5.1bn - compared

A merger made in heaven

The shape of a combined Lloyds-TSB group is already becoming clear, say Alison Smith and Patrick Harverson

TSB and Lloyds Bank: seeking savings

Pre-tax profit and loss by main business
First half 1995



Last year TSB combined its banking and insurance operations by integrating sales staffs into a single team. This complete integration has been admired by competitors in the business of "bancassurance" which are also selling products such as life assurance and pensions through branch networks.

In contrast, Lloyds has adopted the opposite strategy of segmenting its personal financial services, developing different elements of the

retail business as autonomous operations.

Thus, Cheltenham & Gloucester, the building society taken over earlier this year, is the bank's mortgage lending arm. Life assurance and pensions are sold through Black Horse Financial Services, part of Lloyds Abbey Life, its insurance subsidiary.

If the two businesses were to be brought together, even with separate brands, rather than simply

More mergers may be on the way, says John Gapper
A precedent is set

Punch-up for Brussels?

For the first time since Ingemar Johansson beat the great Floyd Patterson at the Yankee Stadium in 1959, Sweden again has a world champion boxer. Lightweight George Scott beat Rafael Ruelas to take the WBU title on Saturday night in the Bahamas. Now he wants a big pay-day defending his belt in front of his home fans.

But George will have to wait a long time. Professional boxing matches have been outlawed in Sweden since 1970 and a vote last year in parliament confirmed the ban. Sweden's 15 professional boxers are doomed to fight abroad - George has moved from his home town of Västerås in rural Sweden to Miami to train.

There was little sign yesterday that any change in the law is likely as a result of George's victory. "It is a question of violence," said a member of parliament's culture committee. But George wonders whether he might not find help from - of all places - Brussels. He wants to find out if the Swedish contravenes European Union laws against restraint of trade.

Geneva fall-out

Many of those who did not reserve hotel rooms for the monster Telecom '95 jamboree in Geneva,

which ends today, at least a year in advance found themselves commuting from hostels up to 50 miles away.

Others were fortunate enough to be directed to one of the city's collective nuclear bomb shelters, where accommodation was in a modest dormitory style. As was the price, at SF25 a night - though no breakfast. The location, between the railway station and the lake, could hardly be improved upon. "and they are extremely clean," enthused the city's tourism spokesman Marc Grangier. Cheap, clean, convenient maybe that's why they're a favoured haunt of the ladies of the night?

Ground controller

Whisperings were heard from both passengers and air crew on the BA flight from Larnaca to London at the weekend, what was Glaftos Clerides, President of Cyprus, doing on board? "It doesn't say much for Cyprus Air," sniffed one stewardess. In fact Clerides, who was staying overnight in London before boarding a morning BA flight to the US, was being very patriotic indeed - saving money for Cypriot taxpayers. BA offered a package for the whole trip that worked out cheaper than what it would have cost if we had a free flight with Cyprus Airways to London. The political fall-out is as obvious today as the surfeit of banks in the streets.

Up for grabs

If there's one man the Danish government would like to export to Brussels, it's Uffe Ellemann-Jensen, leader of the Liberal Party and foreign minister between 1982-83.

The government now has a chance, Uffe, as he is familiarly known in Denmark, is a possible for NATO secretary-general if Willy Claes is forced to resign.

But if the offer should come his way, Ellemann-Jensen faces a serious dilemma. For his party has recently moved ahead of the Social Democratic Party - which dominates the present coalition government - in the opinion polls, making the Liberals the biggest party in the country.

And while the next election to the Folketing is not due until September 1997, Danish parliaments rarely last a full four-year term. The average is just two years - which makes this autumn a likely moment to hold a new election.

Ob dear oh dear - who'd be blessed with such a surfeit of opportunities...

Very bad behaviour

Yesterday's official English-language daily *Vietnam News* reports that an export processing zone near the northern Vietnamese city of Haiphong has

had its licence revoked, because the Hong Kong company behind the \$150m venture failed to cough up the promised cash. Perhaps it should go in for a name change: it's called the Very Good International Group.

A word in your ear

France's President Jacques Chirac made great play during his election campaign of the need to eradicate elitism and social divisions, not least by reducing the power of the so-called *enrages* or graduates of the elite training college, the Ecole Nationale d'Administration.

That was all of five months ago. Now we find the foreword in the brochure celebrating the college's 50th anniversary is written by... Jacques Chirac, who is, of course, an *enrage*.

You remember me?

The government-controlled Iraqi newspaper *Al Iraq* recently published 45 photographs of President Saddam Hussein in a single issue. Hardly Guinness Book of Records stuff, but it comes in the context of a referendum next Sunday, which will ask Iraq citizens if they favour Saddam staying in power.

What could be more natural than a red hot marketing campaign reminding voters who he is?

being run as stand-alone operations within the same group, then TSB's integrated retail operation would presumably have to be split up into the same sectors as Lloyds.

As the banks and their advisers put the finishing touches to the statements on the merger, expected to be issued on Wednesday, they will be aware that questions have already been raised about the merits of the deal.

There will be particular scepticism about the likely scale of cost savings if the two branch networks are broadly maintained and the two separate identities maintained. The merger represents a further concentration of Lloyds on the domestic UK market, where competition for personal customers is fierce and margins are under pressure.

But Mr John Leonard of Salomon Brothers is positive about the likely savings whatever happens to the brands. "Most of the savings will come from the back office and headquarters," he says.

There are more specific hurdles as well. Regardless of market share in particular areas of banking, TSB's asset size is enough to trigger an investigation by the Office of Fair Trading into whether to recommend that Mr Ian Lang, the Trade and Industry Secretary, should refer the merger to the Monopolies and Mergers Commission.

Initial political reaction has been muted, but if the deal goes ahead and there seems a risk of widespread redundancies, then the banks can expect to come under fire in parliament.

This is not something they could ignore. At some stage, Lloyds will have to sponsor a private bill to merge the two banks' licences if they want to transfer customers between the banks without their individual consent. While this does not have to delay the deal - which could otherwise be completed by the end of the year - it means that the banks could come under searching scrutiny from MPs who would have to approve the legislation.

Now can Lloyds assume it will have the field to itself. Analysts believe there are other banks likely to be attracted by the merits of a deal structured along the lines of Lloyds' plan.

As they see it, if Lloyds can put together an all-paper deal with a special dividend funded almost entirely from TSB's surplus capital, then others might do the same. Mr Leonard says: "I suspect a few other folks may be doing some quick numbers on TSB."

If the deal goes ahead, perhaps even after a counter-bid, it may still raise a question about Lloyds itself

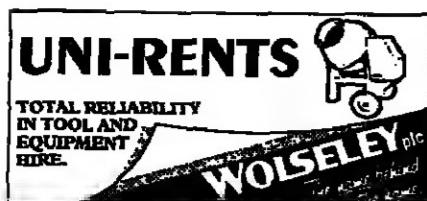
- whether the immediate increase in size might undermine the ability to react quickly to events that the bank has shown under Sir Brian.

Much will depend on how well Mr Ellwood brings the two organisations together. If it succeeds, it will vastly increase its chances of leading Lloyds TSB into the new millennium.

some years. Yet the speculation may now extend more widely. Given that a Lloyds-TSB combination would have up to 14.5m customers compared with Barclays' 7m, the chance of two of the big four attempting to merge cannot be discounted.

In practice, a merger within the big four would almost certainly be scrutinised by the Monopolies and Mergers Commission because it could reduce competition in the small business market. But it would not automatically be barred, and the Chase-Chemical merger could be a model for a tie-up between two of the biggest banks in the UK market.

The deal also casts further doubt on the long-term future of large building societies such as Nationwide, Alliance & Leicester and Woolwich. Conversion to public status would give any of them five years' protection from takeover under the Building Societies Act. But a lot of banks would put a reminder in their diaries for when the five years were over.



FINANCIAL TIMES

Tuesday October 10 1995

A Century of Experience
Nov. 1895-Nov. 1995
SUMITOMO BANK

Nunn's resignation puts Democrats on defensive

By Jurek Martin in Washington

Senator Sam Nunn, the Democrat from Georgia and the reigning congressional expert on defence issues, announced yesterday he would not seek re-election next year for a fifth six-year term.

His decision severely weakens the upper ranks of the Democratic party in the Senate and makes it all the more improbable that the party, currently in a 46-53 minority with one vacancy, can regain control of the chamber next year.

Mr Nunn becomes the eighth of the 15 Senate Democrats up for re-election to quit, against only one of the 18 incumbent Republicans. His seat is considered an almost certain Republican gain, given the South's shift to the right in recent years.

The 57-year-old former chairman of the Senate armed services committee postponed his announcement from last Tuesday because it clashed with the verdict in the OJ Simpson murder trial.

He said in Atlanta his reasons for retiring were entirely personal. "I know in my heart it is

time to follow a new course," he said, without specifying what that might be. His decision had been increasingly expected in Washington.

President Bill Clinton, who considered appointing Mr Nunn as his first secretary of defence, said he was "grateful" for the senator's "wise counsel" and hoped he would remain active in Democratic politics next year.

Congressman Newt Gingrich of Georgia, the Speaker, was among several Republicans to regret the loss of Mr Nunn's expertise. But he added: "It is clear that the Democratic party is not the vehicle for the values outlined by Senator Nunn."

The senator, who briefly considered running for president in 1988, has been mentioned as a possible independent presidential candidate next year, along with another retiring senior Democratic senator, Bill Bradley of New Jersey. But there was nothing in his remarks yesterday to indicate that he was thinking along such lines.

Either senator might appeal as a potential running mate for retired General Colin Powell should he decide to seek the

presidency as an independent rather than as a Republican.

Mr Nunn and Gen Powell, known to have a high regard for each other's abilities, were members of former president Jimmy Carter's mission to Haiti last year which averted a full-scale US military invasion of the island. But there is no evidence yet that Gen Powell is leaning in favour of a candidacy.

Mr Nunn was first elected in 1972 and was returned three times with over 80 per cent of the vote, in spite of Republicans gaining elsewhere in Georgia.

In 1985 he was a founder member, along with then-Governor Clinton of Arkansas, of the influential Democratic Leadership Council, a group of party moderates with a predominantly southern base.

He became chairman of the armed services committee in 1987 and immediately led the battle against President Ronald Reagan's "star wars" space-based defence system on the grounds it would effectively nullify the 1972 anti-ballistic missile treaty with the Soviet Union.

Colin Powell in London. Page 9

Brussels set to back \$5.2bn packaging merger

By Emma Tucker in Brussels

The European Commission is likely to approve a proposed alliance between Crown Cork & Seal of the US and France's Carnaud-Metalbox, creating the world's largest packaging company, according to industry officials.

Closed hearings for competitors worried about the \$5.2bn deal, in which CCS will acquire CMB, took place in Brussels yesterday.

Opposition to the merger appears to be muted and the Commission is expected to impose only limited conditions on the alliance.

"I think approval is almost taken as a fait accompli," said Mr Robin Davis, director of the Metal Packaging Manufacturers Association. "The companies are expecting to have to make some changes and have said they will do so."

The Commission's merger task force has until the end of November to give its final verdict on the deal. It is rare for the Commission to block a merger, particularly where industry opposition is low-key.

"Overall there is very considerable confidence that the deal will go through," said one lawyer close to the case. "The only debate is over the scope of the fix necessary to achieve this."

This "fix" will probably centre on divestments in the market for tinplate aerosol cans of the kind used for air fresheners and hairsprays.

When the Commission announced an investigation into the merger, it noted that the combined market share of the two companies in tinplate aerosol cans would exceed 60 per cent of the European market.

Companies such as Germany's Schmalbach-Lubeca - the closest competitor in tinplate aerosol cans - have quietly made their cans to Brussels and industry sources suspect the Commission will ask CCS to divest some capacity. Mr William Avery, chairman of CCS, has already indicated he would be willing to do just that.

A second point of concern is the European market for food cans, of which the merged group would have a market share of between 40 and 50 per cent. However, the Commission has said that while CMB has a large share of the market in most European countries, the only countries where the share would rise significantly are in Belgium, the Netherlands and Luxembourg.

Brussels is also worried that the size of the new company would allow it to buy raw materials such as tinplate at lower prices, putting extra competitive pressure on smaller tinplate suppliers.

The last of the Commission's worries concerns the range of bottle tops the merged group could offer, although this, too, has attracted little opposition.

THE LEX COLUMN

Ministry of Truth

Japan's finance ministry may be the biggest loser from the Daiwa debacle. Its already dwindling reputation for frank dealing has been further damaged by its admission that it was told about the bank's huge losses in New York nearly six weeks before the US regulatory authorities were informed. Worse still is the fact that the ministry admitted its early knowledge of the problems only after Japanese press reports flushed it out. It previously said it knew of Daiwa's problems on the same day that the US authorities were told.

At the very least, the ministry has been economical with the truth. Its line is that, although it was told Daiwa's losses were huge on August 8, it knew the details only on September 12. But why did the ministry not give its US counterparts a preliminary warning earlier? Why did it not press Daiwa to reveal the details much more quickly? And why did it delay a further six days until September 18 before informing the US? The ministry has yet to give credible answers to these questions. And so long as adequate answers are not forthcoming, there will be a suspicion that the ministry has more to hide.

Cynics will say that there is nothing odd in that. After all, the ministry has been helping hide other gigantic losses in Japan's banking sector throughout the 1990s. But the Daiwa affair is different for two reasons. First, the ministry's lack of frankness in this case is more specific than its normal obfuscation. Second, given that the losses occurred in New York, US regulators had a legitimate interest in being told what had happened. The repercussions could extend beyond the Daiwa debacle. Given that the ministry has been economical with the truth in this case, people may lose faith in its pronouncements on other situations.

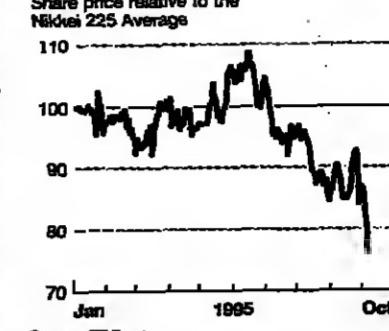
Lloyd's/TSB

There are several good reasons for Lloyd's and TSB to merge, but cost savings through a heavy programme of branch closures do not appear to be one of them. In fact, the rationale for the merger currently under discussion is in large part the fit between the TSB's franchises in Scotland and the north of England and Lloyd's strength in the south. As well as creating a broader retail banking base, this additional branch network would allow Lloyd's to extend its small and medium-sized corporate lending business, an area where TSB has been weak. Of

FT-SE Eurotrack 200:
1517.8 (-6.7)

Daiwa Bank

Share price relative to the
Nikkei 225 Average



Source: FT Estat

course, some savings would be generated even without widespread closures. But cutting head office and back office costs alone would not provide substantial windfalls for investors.

The deal would, however, address concerns about Lloyd's future earnings growth. Although the deal would initially be dilutive, the strategic logic in areas like mortgage lending where the new group would become the third largest lender, is strong.

The remaining question is whether the price is right, or rather whether anyone else might pay more. The terms under discussion, valuing TSB shares at £25p including a special dividend of 88p net per share, are not particularly generous. The proposed deal values TSB shares at 14 times 1995 earnings and around 2½ times book value, in line with other transactions in the sector. On the other hand, the structure of the deal has attractions for TSB shareholders: the fact that they would receive paper is good, since the stock market has pushed up the value of Lloyd's shares; meanwhile, the special dividend would allow non-taxpaying shareholders to reclaim advance corporation tax.

There is scope for other bidders to emerge. But foreign banks are typically more interested in investment than retail banking, despite the profitability of UK retail business. And since there would be no cost savings for a bank without any existing UK business, the price cap for any sensible foreign bidder would probably be fairly low. More likely contenders are other UK banks, with old foe Midland, now under the auspices of HSBC, top of the list.

Phones stake

Continued from Page 1

national connection in Russia your success rate is probably about one in three, and this is what is holding it back. But this is what an international telecommunications operator can help with."

The Russian government has spent up the search for a major investor in part because its receipts from privatisations this year have fallen far short of its ambitious target of Rbs9,000bn (£2bn).

Mr Boyko acknowledged that need to bury the sale meant that the 25 per cent stake might fetch less than it could otherwise bring in. But he said that the need for investment in telecommunications infrastructure was so large that the sale could not wait.

Daiwa Bank

Continued from Page 1

effect. Mr Sumio Abeoka, the chairman, would leave next March after full details of the losses have been disclosed and accounted for.

The new president is Mr Takashi Kaito, at present deputy president.

Mr Kaito, 58, has been with the bank for 36 years.

Daiwa faced further embarrassment yesterday when finance ministry officials disclosed that another of the bank's New York offices had apparently failed to report a \$90m loss in bond trading to US and Japanese regulators in the mid-1980s.

Daiwa Bank has no connection with Daiwa Securities, the broker.

Bosnian threat to delay ceasefire in row over conditions

By Laura Silber in Belgrade, Harriet Martin in Sarajevo and agencies

The Bosnian government last night threatened to delay the start of a US-sponsored ceasefire, due to begin early today, after complaints that preconditions, including the restoration of gas and electricity supplies to the capital Sarajevo, had not been met.

The Bosnian threat was a severe setback for the Clinton administration, which announced the ceasefire last week and planned to use it as a starting point for negotiations on a lasting peace for the region.

Mr Hasan Muratovic, Bosnia's minister for relations with the United Nations, said there would be "no ceasefire because nearly none of the conditions have been met".

Russia insisted last night there was no reason to delay the ceasefire and claimed that hitbites in restoring the supply of Russian gas to Sarajevo were not Moscow's fault.

However, prospects for the ceasefire steadily worsened yesterday as NATO aircraft bombed Bosnian Serb military positions near Tuzla, the government stronghold in north-eastern Bosnia, and fighting escalated around Bosnia ahead of the truce deadline of midnight.

Earlier, UN commanders called for NATO air support after a Norwegian peacekeeper was killed

when a Serb shell fell near a UN base in Tuzla. NATO jets responded by dropping laser-guided bombs on a Bosnian Serb military control bunker judged to have co-ordinated the attacks. On Sunday, NATO aircraft had been unable to attack targets because of poor visibility.

Last night, representatives from the warring parties and the UN were due to meet at the airport in Sarajevo to see whether the conditions had been fulfilled for the ceasefire to go ahead.

Mr Omar Sacicbegovic, a foreign ministry adviser, cast doubt on the agreement, saying the Bosnian Serbs had reneged on a pledge to restore gas and power supplies to Sarajevo. He said the "fix" is unlikely for the next couple of days".

The Bosnian government had hinted that it would not comply with the ceasefire unless NATO carried out air strikes in response to Serb cluster bomb attacks in north-eastern Bosnia on Sunday in which at least 11 people, including four children, were killed.

In what appeared to be a last-minute land grab before the ceasefire was due to come into effect, fighting escalated yesterday across Bosnia. Bosnian Serbs shelled the two government-held towns of Zivinice and Kladanj, and Serb media said allied government and Croatian forces were attacking the Serbs around the towns of Sanski Most and Kljuc and in Mrkonjic Grad.

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September 1995

INVESTMENT BANKING. FROM A TO Z

Europe today

High pressure over central Europe will bring plenty of sunshine to western Europe. It will be unseasonably warm with afternoon temperatures ranging from 23C in south-east England to 26C in France. Southern Germany, the former Czechoslovakia and Poland will have morning fog with hazy sunshine in the afternoon. Denmark and Sweden will be warm, with temperatures between 19C-22C. A cold front will result in cloud and light rain in the western UK, followed by clearing and cooler conditions in Ireland. Southern Europe will have sunny spells, but showers are possible in south-east Spain and in Sicily.

Five-day forecast

It will continue warm in France and Spain, but a weak front will bring cloud and cooler conditions to the Low Countries, Denmark, Sweden and Germany. In central Europe, high pressure will persist resulting in a mixture of sunshine and fog. The UK will be changeable with rain and wind in the northwest. The south-east will stay mostly dry and mild. Showers will continue in the southern Mediterranean, including south-east Spain.

FT WEATHER GUIDE



TODAY'S TEMPERATURES Situation at 12 GMT: Temperature maximum for day. Forecasts by Meteor Consult of the Netherlands

	Maximum Celsius	Belief	fair	21	Capebre	thund	22	Faro	sun	25	Melrod	shower	33	
Abu Dhabi	sun	35	Belgrade	shower	18	Cardiff	fair	20	Frankfurt	sun	24	Malaga	cloudy	6
Accra	cloudy	31	Berlin	sun	22	Cescales	fair	26	Geneva	sun	23	Maha	thund	25
Aigues	sun	28	Bermuda	sun	24	Chicago	fair	20	Gibraltar	sun	23	Manchester	fair	24
Algiers	sun	32	Bogota	sun	23	Glasgow	sun	18	Madrid	sun	22	Montreal	thund	23
Amsterdam	sun	22	Bombay	fair	21	Malaga	fair	19	Malta	sun	21	Montreal	thund	22
Athens	fair	21	Bon	fair	21	Manila	sun	18	Milano	sun	20	Montreal	thund	21
Atlanta	fair	24	Brussels	fair	23	Milan	sun	18	Milano	sun	20	Montreal	thund	21
B. Aires	18	20	Buenos Aires	fair	20	Milan	sun	18	Milano	sun	20			